"The Truth, the Whole Truth, and Nothing But the Truth"

ABOUT PANICS

HARD TIMES

The Cause and the Cure

BY

JAMES POLLOCK KOHLER,

LAWYER, NEW YORK CITY

Office and Post Office Address:
TEMPLE BAR BUILDING
BROOKLYN, NEW YORK CITY

AN A, B, C OF POLITICAL ECONOMY

Second Edition, Corrected and Enlarged

40

PRICE : : : : : : : 15 Cents

"The Truth, the Whole Truth, and Nothing But the Truth"

ABOUT PANICS

HARD TIMES

The Cause and the Cure

BY

JAMES POLLOCK KOHLER,

LAWYER, NEW YORK CITY

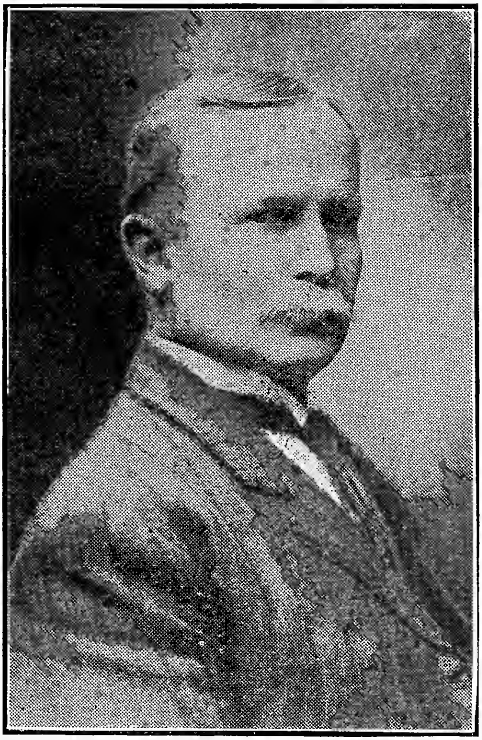
Office and Post Office Address:
TEMPLE BAR BUILDING
BROOKLYN, NEW YORK CITY

AN A, B, C OF POLITICAL ECONOMY

Second Edition, Corrected and Enlarged

PRICE : : : : : : : 15 Cents

THE OUTING PRESS
DEPOSIT, N Y.



Dedicated

TO

THOSE NOBLE SOULS OF ALL LANDS WHO, AGAINST GREAT ODDS, ARE STRIVING TO MAKE OF THIS WORLD AND OF THE PEOPLE IN IT WHAT THEY SHOULD BE.

CONTENTS

A STUDY

BY

JAMES P. KOHLER,

Of the New York Bar

Introduction

All I ask of the reader is a fair and candid consideration of my argument; and if he finds conviction stealing in upon and overwhelming him I want, not only his verdict, or judgment, but that he too shall enlist in the high and noble cause of spreadnig this economic gospel.

CHAPTER I

WHAT I MEAN BY PANICS

When I talk about panics I do not mean those little Wall Street flurries that come and go, and in which this banking house or that broker firm may fail and go to the wall. To-day the "Bulls" have their innings, to-morrow, the "Bears." In the constant tug of war going on between the powers that play the Wall Street game one may slip and go under to-day, another to-morrow, and next week even half a dozen may go down in the struggle. Millions of dollars may be lost

and won, and individual fortunes may be built up or pulled down, and yet it is **only a little convulsion in the financial district,** which does not spread beyond the confines of a few small blocks. These flurries do not affect the general public or the nation's welfare. Wall Street gambling, or speculating, is like race-track gambling; it is simply a process by which money is handed around in bunches among those who are and hundreds of engines rusting in the round-less is, demoralizing to those who play, but its effect on the general business of the country, on the welfare and prosperity of the vast mass of producers and distributors of wealth, that comprise the business interests of our great and growing commonwealths, is so slight as to be, from an economic standpoint, unworthy of serious consideration.

What I mean by PANICS are those periods of business depression, which, in this country, come and go, and come and go again, so that their periodicity is almost determinable by their regular recurrence—those periods of depression when we have millions of idle men tramping the country looking for work, when our great railroad systems have thousands of cars idle on side tracks and hundreds of engines rusting in the round houses, when millions of dollars lie idle in the vaults of our banking institutions, when the wheels of industry are almost stopped, and business failures increase; when prominent business men, tired of whistling for prosperity, commit suicide because they cannot stand the strain of business failure after their long or short period of business success. These periods of depression are worse than war, pestilence, and, I had almost said, famine, for to hundreds of thousands of our fellow citizens they really mean famine, or starvation, which is the same thing.

We have had these panics in our country almost from the beginning of our national exist-

ence. In 1811 we had a slight touch of panic, then in 1818 a severe touch, then in 1828 another, then again in 1837, then in 1847, in 1857, in 1873, in 1884, in 1893; and now we are just emerging from the crisis of the industrial depression, idleness and waste, which shall go down in history as the panic of 1907. Our panics have come about ten years apart, and have remained with us for from five to seven years. The 1873 panic, which was one of the worst our country has passed through, was somewhat delayed by the Civil War, which very much disturbed the regularity of the financial and productive routine. This present 1907 panic is also several years overdue. It should have been here about 1903 or '04. Several causes operated to delay its arrival on schedule time. One cause of its delay was the amendment of the National Bank Act which permitted the establishment of national banks in our smaller cities or towns with a capital of $25,000. This made possible a wider distribution of banking facilities, and enabled communities of smaller populations to enter upon and conduct business enterprises with greater ease than formerly, all of which had a tendency to lengthen the period of business prosperity. Another factor was the increased production of gold, which added millions of dollars to the circulating medium, the production of gold to-day being equal to the production of both gold and silver a decade ago. But the most important element in prolonging the properous business period, in my opinion, was the confidence among business men which followed the legislation establishing the gold standard. Business men (who know better now) thought that the gold standard was all that was necessary to establish permanent prosperity. Their business ventures and new enterprises, which called for large outlays of money, kept labor employed for a longer period than formerly. And so prosperity, now

departed, was with us longer than usual. The gold standard certainly injected into the business world a confidence which had much to do with stimulating investments in new enterprises that otherwise would have been impossible. But the panic is with us again, and all this misplaced confidence has been dissipated. Still we have men of prominence in the financial world who think that currency reform—of some sort or other—will forever obviate panics. Foolish, foolish men!

(I shall discuss in a later chapter the effect of money on business and the phenomena of bursting banks as incidents of our panics.)

CHAPTER II

ALLEGED CAUSES OF PANICS

Many causes have been given for these recurring panics, or periods of depression. Their periodicity for a century past has attracted the curiosity of thinkers and writers on economic subjects, and there have been advanced and advocated almost as many reasons for them as we have had panics.

Henry Ward Beecher's Theory

After the great panic of 1873, Henry Ward Beecher, one of America's greatest orators, delivered in all parts of the country a lecture on "Hard Times." In his lecture he attributed the panic to "loss of confidence," but he never told us why confidence was lost. He spoke of the Vermont schoolmarm who had invested her money in enterprises that had failed, and of how the knowledge of her loss spread to other schoolmarms, so that, instead of investing in further enterprises, they all hid their money in

a stocking and put it in a chimney hole in the wall. Why the enterprise, into which the school-marm had put her money, failed, Mr. Beecher said naught. I lose my purse and with it I lose my confidence, "get rattled," but WHY do I lose my purse? That is the great question. And I intend to answer that question. **Why does the business community lose confidence?**

The James G. Blaine Theory

Panics have been attributed to legislation, or threatened legislation, by Congress on such subjects as money, the tariff, and so on. In Blaine's "Twenty Years in Congress," we are told that some of the panics through which our country has passed resulted from Congressional tinkering with money or the tariff. Change in the ratio between gold and silver in the coinage; tariff reduction, or threatened free trade, have been the trouble, according to him. Yet we all know that we have had panics during periods of the highest tariff and we have had good times when the tariff was comparatively low. We have had panics in Democratic, in Whig and in Republican administrations, and I am free to say that we have never yet had any change, or threatened change, in any of our Federal legislation that has either produced or cured a panic.

The Over-Production Theory

Some economic writers say that our panics are the result of over-production. The country has produced too much wealth, they say, and production must stop until we can catch up. This is the observation of the superficial observer, who mistakes under-consumption for over-production. To say that we have produced too many shoes when thousands of children are only half-shod, too many clothes when people shiver in the streeets of our cities for lack of clothing,

too much food when hungry men and women and children are seeking relief through charitable sources, and all this during the hard times, which, as they claim, are caused by over-production, is **mockery added to absurdity.** I shall show later on why we have under-consumption and that this under-consumption brings what seems to be over-production, but there can be no such thing as over-production until every mouth is filled, every back is covered, and every foot is shod. **It is cruel to talk of too much when so many have so very little.**

The Extravagance Theory

Other economic writers say that the panics come from extravagance, that the people buy too much, spend their money too freely, live too high, etc. In the Spring of 1888, after the 1884 panic, I was coming up from Florida in a Mann boudoir car. Only two passengers were aboard. We soon found ourselves together in the smoking compartment, and strangers though we were, we began discussing the business depression, a subject on every tongue from Maine to Florida. My fellow traveler claimed that "EXTRAVAGANCE" was the cause. "Our people spend too much money," he said. "Why, the farmers insist on having things far beyond their means. Some of their wives will have carpets on their front-room floors and pictures on their walls, and they want pianos or organs, too, and some even go so far as to send their children off to school. Now this thing will not do," said my friend, "the nation cannot stand it." I asked him what his business was. He said: "I am a manufacturer of cigars. I have just been down to Cuba looking at my plantation." "Well," I said, "if the American people should take your advice, accept your views about extravagance and stop smoking cigars, what would become of

your business?" He saw it at once, and before we had reached Atlanta he had abandoned the extravagance argument and was willing to admit that it was this very extravagance, of which he and other business men complained, that kept the wheels of industry revolving, and made it possible for him and them to carry on the particular businesses in which they were engaged. We have a few people now who are talking about extravagance.

The Old-School Economists' Theory

The old-school political economists, who have written the text-books used in our colleges, such men as Adam Smith, John Stuart Mill, Francis Wayland, Sumner, Thompson, Seligman and others tell us that these panics come, or result, from the too rapid exchange of floating capital into fixed. They divide capital into "fixed" and "floating." The fixed capital is what lawyers call real estate, that is, land and the improvements thereon, and the floating capital is what, in law, is known as personalty—movables, money, etc. The claim that a too rapid exchange of money and movables into land and buildings is a cause for panics, seems frivolous, to say the least. A phenomenon in the economic world has been witnessed by these writers and they have jumped at conclusions that will not bear investigation. Or, if they will bear it, lead us into a discovery of the real cause. They saw, just before the panic, that there was quite a stir in the real estate world. That buildings and other improvements on land multiplied rapidly, and that the land itself increased in value, and they then wrongly concluded that dollars and machinery were being transformed into land and buildings. This has never been so, and its advocacy shows through what shallow depths these "leaders" of economic thought have waded.

Theory of Our Modern Economists

Our modern financial writers, who attempt to explain the whys and wherefores of this and that Wall Street phenomenon, have taken the cue from these older writers, and now we are told, in column after column of "Financial News," that the panic comes from a too rapid exchange of liquid into rigid capital. The modern term "liquid" takes the place of the old term "floating," and the modern term "rigid" substitutes for the older term "fixed." The same phenomena are present with every panic, but phenomena are not necessarily causes. **The Northern Light is not the cause of the Northern Light. What is the cause?** Can it be said now, or at any time, that money has been transformed into land, or that machinery has been changed into buildings, either by slow or rapid process? Certainly not. The money is still in existence, and the man who can convert machinery into buildings has not yet beeen found.

The "Business-Gets-Tired" Theory

Several new causes for panics have been advanced lately. We are told that "Business gets tired and must rest." Think of it—that "business gets tired." Millions of men must remain out of work, their wives and children suffering for the necessaries of life, banks must break and business enterprises go into the hands of receivers because "Business gets tired." No! Just so long as a man has a want or a desire and has money with which to satisfy that want or desire business will not get tired. Business, instead of getting tired, will increase in activity with the increase in intelligence and prosperity of the people. Everybody is now anxious to do business, and yet we are told that business is tired and

must rest. **Business gets throttled,** but who throttles it? Let us see. Getting throttled is very different from getting tired.

The Theory of Banker Henry Clews

A New York banker and broker, Henry Clews, lecturing on this panic, tells his audiences that the cause of it is the Boer War, the Spanish War, the Russo-Japanese War, and with these he mixes in a little of the late San Francisco earthquake. "All of these combined brought it around," he says. **He does not,** however, **tell us how they brought it around.** Now, I can conceive of an economic situation in which a war, or an earthquake, would be a positive relief **to some people.** If I owned the entire Island of Manhattan, covered from the Battery to the Harlem with buildings, and I had concluded that I did not wish to erect any more buildings or have any more improvements made, and thousands of my fellow men were tramping the streets looking for work and could not get it, though their **families were starving,** a little earthquake that would shake down a few miles of my improvements and give these men work in putting them up again would be a positive blessing to them—if not to me. The "quake" might be unpleasant, like the pulling of a tooth, but in such an economic situation the after effects on the great multitude would go far to offset the drawbacks brought by the temporary shock. The San Francisco earthquake, horrible as it was, really added to our prosperity. It created a market for idle labor, helped to raise wages, stimulated railroad traffic and the general industrial activity, and, in that way, it was a substantial benefit commercially. Property, of course, was destroyed, and some lives were lost—all to be regretted—but it brought about a redis-

tribution of some of the wealth of the country, and that redistribution, by increasing the purchasing power of a large part of the mass of our workers, gave us some of the prosperity in business through which we have just passed. As for the wars, which Mr. Clews includes in his causes of this panic, they were too remote to have anything to do with our present depression. History, however, records that wars always stimulate business, though the country which loses the fight may suffer some depression while paying the indemnity, or cost of the war. A very large navy, or a very large standing army, may sap the resources of and impoverish a nation, as it has done and is doing now, but a war, **under present economic conditions,** may, by decimating the ranks of labor, **raise wages and increase consumption** and make good times for a while for those that are left.

Do not, please, conclude that I advocate war or earthquakes. As a follower of the "Prince of Peace," I detest war. And may we not hope soon to see the civilized nations get wise enough to do away with it altogether, and turn the money they spend on armaments and battleships into colleges and universities, the building of which latter will cost no more money and will provide just as much work for the followers of our modern politicians. But how much more useful they will be to mankind!

The Theory Advanced by the Socialists

The modern socialists have advanced a theory for the panic, and, of course, according to them, socialism is the only possible cure for hard times. The socialist unthinkingly accepts the terminology of the old-school economists and sees nothing before him but "capital and labor"—both engaged in an endless and inevitable struggle. To him the employer is the capitalist. The

capitalist employs because he owns the "Tools of production," while the laborer is employed because he owns no tools. The employer pays to the laborer only such wages as the law of supply and demand in the labor market requires that he shall pay. With the tool that is owned by the capitalist (and with which the laborer, who is hired, produces all the wealth), so much wealth is produced that the laborers cannot consume it all because the wages they receive are not high enough to enable them to purchase back for consumption the things which they have previously produced. The socialist says that if the laborer received more wages his consumptive power would be so enlarged that there would be no surplus of wealth, no over production, and hence, no panics. The socialist seems not to understand the law of wages, nor to see that wages can be raised up to the maximum he is talking about without going to all the trouble involved in the socialistic scheme, to wit, the nationalization of all the tools of production and the carrying on of the production by the government, which shall take over and operate the tools and turn all the people into government employees in a sort of co-operative commonwealth. I am free to admit that socialism, if possible, would be **a great improvement over present conditions of production and distribution,** but I must express my belief that in a country like ours complete socialism seems to be absolutely impossible, though modified forms of it are desirable. **A cure more satisfactory and specific, and more in harmony with American ideas, can be brought about in half the time necessary to establish the socialist system here.**

Some Scattered Causes for Panics

I have lately heard intelligent men say that our labor organizations have brought this panic about by insisting upon too much wages for building houses, running trains, etc. This statement to many seems so plausible that it should be said that increased wages always increase the purchasing power of the great bulk of consumers, and, that while consumption is going on, the demand for the houses will increase and railroad traffic will so grow that the few dollars that are paid as increased wages cannot hurt either the house-builder or the railroad, or any business interest. It is only when consumptive or purchasing power is concentrated among the few that disaster to business awaits us, not when such power is scattered or distributed among the large mass of wage-earners in increased wages.

Some of our newspapers give these causes:

"Overtrading in all branches."—New York *Sun.*

"Overbuilding of railroads and overspeculation."—New York *Post.*

"Confidence is all that is lacking."—*Real Estate Record and Guide.*

"Capital is scarce."—St. Louis *Republican.*

"People at large are poor."—Baltimore *Sun.*

"People hoarding their money."—Baltimore *American.*

"Extravagance in expenditure."—Matthew Marshall.

"Too many people in the city."—Chicago *Tribune.*

"Too many men till the soil."—Chicago *Inter-Ocean.*

CHAPTER III

THE TRUE CAUSE OF PANICS

Having briefly reviewed some of the alleged causes of panics, and having claimed that none of those alleged gives a satisfactory explanation of them, it behooves me to modestly set forth my own theory as to the causes of our panics.

The Real Estate Boom the Cause of Panics

My own experience, and the study that I had given to the subject, led me to the conclusion many years ago that **our Panics and Industrial Depressions come from the booming of real estate in the cities, towns and villages of our country.** I can, with confidence, point to history to bear out my assertion, for every panic we have had in this country was preceded by a real estate boom. The price of land advanced in value by leaps and bounds before each one of our panics. But assertion and history are not enough. I am put to my proof, as the lawyers say. I must demonstrate, beyond a reasonable doubt at least, that the panic is the result of the real estate boom. I must point out in detail the effect of such boom on the business of the country and show how it comes about that after every real estate boom many of our banks fail, and then immediately, and for long periods, we have millions of idle dollars lying in our bank vaults, while the side tracks of our railroads are crowded with idle cars and millions of able-bodied men walk for years the streets of our cities and our country roads looking for work, while their wives and children suffer for the bare necessities of life; with suicide and insanity multiplying on every hand.

Real Estate Booms Man's Greatest Enemy

Before entering upon the presentation of my argument I wish to affirm, **with all the solemnity that I can muster,** that in my belief **the real estate boom is the greatest enemy that has yet preyed on mankind.** That its ravages on humanity are worse than those of all the diseases combined, for it is the parent of poverty, and poverty is the breeder of disease and crime and ignorance. The greatest miracle that mankind can witness is the long-suffering patience of our business men and working people while waiting for the return of prosperity after the real estate boom has come in and killed the prosperity which the working people and the business men of the country for a brief period enjoyed.

Panics a Disease of Business

To clearly understand what a panic is, and to be able to point out the cause and prescribe a remedy for our panics, it is necessary to analyze what is known in the modern industrial world as "BUSINESS." We hear people talking about good business, and bad, or poor, business. When business is good, we have good times; and when business is poor, or bad, we have hard times. We may, for the sake of convenience, or by an economic "fiction," **call these panics a disease that business gets**—a sort of chills and fever, or dry rot—for we know that when the first symptom of the panic strikes us, business men seem to shiver and lose their self-control and afterwards get a sort of stagnant paralysis. Evidently, the subject of our inquiry is **the cause of this disease** which business gets. From what sewer, or pest hole, or water source does it come?

What Is Business?

An examination of the term **"business"** will show that we mean by the word simply **the production and distribution of wealth.** The economists tell us that WEALTH is something which satisfies human desires. A beefsteak is wealth, so is a suit of clothes, so is a chair, a book, a house, an automobile or steam yacht. Any product which satisfies a human desire is wealth. Where that human desire is found we are said to have a market. Business men are constantly searching for this market, in this and other countries. And their labor in searching for markets in other countries might better be applied in stimulating and enlarging the market they have at home. In this country we produce each year billions of dollars' worth of wealth. The corn and oats, the cotton and wool, the coal and iron and steel, the provisions and furniture and clothing, which we annually produce, when measured by dollars, or by weights and measures, run into such figures that the mind of man is lost in the contemplation.* But after we produce all this wealth, we distribute it to those who have the desire for it; and the consumption of it by the distributees satisfies their desires. **This production and distribution of wealth we call business.** All these farms, forests, mines, locomotives, cars, wharves, ships and steamers, drays, telegraphs, telephones, factories, shops, stores, offices, banks, and what not, that the human eye sees on all sides, are involved or engaged in the production and distribution of wealth, and the men employed and occupied in them are known

---

*The 1907 crops were valued as follows:

Hay	$660,000,000	Potatoes	$190,000,000
Cotton	650,000,000	Barley	115,000,000
Wheat	500,000,000	Tobacco	67,000,000
Oats	360,000,000	Rice	19,000,000
Rye	23,000,000	Buckwheat	10,000,000

Corn......$1,336,901,000

as business men. And I include also all that are engaged in either the production or distribution, or in both, whether male or female, as business men. So that my term business men is inclusive of all that are engaged in this production and distribution—both the laborer and the capitalist.

But if we go a little further into our investigation we shall find that three factors are engaged in this production and distribution of wealth. A close examination of these **three factors of production** is absolutely essential to an understanding of the cause and cure of panics.

The Three Factors of Production

The first and **most important factor** in the production of wealth is LAND. **Without land no wealth whatever can be produced.** And by the term land I do not mean merely farm land or mines, or town and city lots. This term land includes all that some writers call nature. It includes all that was here before man came upon the earth at all. It includes the earth—25,000 miles round and 8,000 miles through—and all that is therein from the center to the circumference, and the fifty miles of atmosphere that is above and around the earth. All the objects that we see around us were once land, and, when each shall have served its purpose, it shall go back to land again. The Bible says to man: "From dust thou art, to dust thou shalt return." What the Bible means by **"dust"** I mean by land, only that land includes far more. The force of gravity is included in the term land, and this force is of tremendous importance as a sub-factor in the production of wealth. At Minneapolis the Mississippi River flows for a distance over a rough incline named St. Anthony's Falls. The power resulting from the break in the bed of the river and the force of gravity at

this point is utilized by flour mills, sawmills and other mills engaged in producing wealth. And so at Spokane Falls in Washington, and the Willamette Falls in Oregon, and hundreds of places elsewhere. At Niagara Falls many mills are run by diverting part of the Niagara River through chutes into mills that bring forth all sorts of products. If all the power of Niagara Falls were harnessed to machinery it is probable that every railroad and spindle in the Empire State could be run without expending a dollar for fuel. We are told that the tides are to be used to run machinery, and that the rays of the sun have been collected and reflected in such manner that they will help mankind. These tides and sun rays, that are to provide this power, are included in the term land. I also include the electric and magnetic forces of the earth. The earth is a great reservoir of raw material, of coal, oil, iron, copper, gold, silver, timber, etc., out of which we are producing wealth, and all these are included in this term LAND, which we designate as **the first and most important** of the three factors in the production of wealth.

The next, or second, factor in the production of wealth is LABOR. And by labor I do not mean simply the muscular exertion of man in the production of wealth, but the brain that stands behind and directs the muscle. And the brain, also, that directs and superintends the muscles and brains of thousands of men in the production of wealth—the **"Captains of Industry,"** as they are sometimes called, the men who plan, finance and build the railroads, the steamships, the wharves, the factories, the buildings and stores. In this term labor I include, also, all those who indirectly aid in the production of wealth, as the teacher, the preacher, the writer, the actor, the artist—all those that instruct, advise or amuse those who are engaged in the direct production. The comedian, who

amuses and rests the carpenter after his day's work and fits him to better perform his labors on the following day, is a laborer; the teacher, training the youthful mind to think and care for himself, is a laborer; the minister, who instructs as to the true laws of economy—which are the laws of God—is a laborer, and well worthy of his hire. And the lawyer, who advises, guards and guides, is likewise a laborer, and lucky when he gets his fee. **With these two factors, LAND and LABOR, we can produce a great deal of wealth without any other help.**

But man has invented, and, as far back as history takes note of his doings, has used as his helper in the production of wealth, what we call "CAPITAL." And so **our third factor is Capital.**

Capital is the tool which labor uses to go to the land or natural resource to help him to produce wealth. And man afterwards largely uses capital in the distribution of the wealth he has already produced. The tool which man uses he can destroy, wear out or throw away, and produce another in its place by his labor out of the land. The land he cannot produce, nor destroy, for it was here before him and will remain when man has left the earth forever. To illustrate: I can go to a brook (land) and with my bare hand (labor) can catch a fish (wealth), and **I will thus produce wealth without the aid of capital.** Or I can, with my hand, dig up and soften the soil; and again, with my hand, I can plant some seeds, which I may gather from a bush, and put them in the soil and cover them over with my hand, and when they are ripe I can gather the crop with my hands and thus I can produce wealth (a crop) without the aid of capital. All this is done by **the co-operation of labor and land.** But if I go to a tree and break off a limb and sharpen its end **and with it** spear my fish in the brook, then **I am using capital.**

So if I use a piece of tree, or a hoe, to dig up the soil and plant my seed, **I again use capital.** All these tremendous tools of industry which we see in our modern shops, lifting tons of molten iron, tons of pressed steel, are but developments of man's first and simplest tools. The *Lusitania* that crosses the ocean in five days, the modern wonder of the ship builder's skill, is but a development from the bundle of sticks which man, in his savage state, tied together to help him cross a stream. From bundles of sticks he took to logs, and then to hollow logs, then to bark canoes, and from that on up the weary path of progress to the modern vessels used in navigation. Without going too far into the realms of speculation it is probably safe to say that the attempt of prehistoric man to navigate the water was as difficult and hazardous as the attempt of modern man to navigate the air. And eventually man will overcome the difficulties in navigating the air as he has the obstacles in navigating the water.

How the People's Wealth is Distributed

As I said before, in this country we produce each year billions of dollars' worth of wealth. That wealth is produced by the co-working or co-operation of these three factors, LAND, LABOR and CAPITAL. And when all of this wealth is produced it is distributed among these three factors, one share going to land, the first factor, one share to labor, the second factor, and one share to capital, the third factor. In this distribution of wealth the share which goes to Land we call RENT, the share going to Labor we call WAGES, the share going to Capital we call INTEREST.

So there we have them: LAND, LABOR and CAPITAL, the three factors; RENT, WAGES and INTEREST, the three shares into which is divided the wealth which these factors produce.

The wealth produced each year in our country, may be likened unto a great pie, which is to be cut into three pieces. The pie may be cut first right across the middle, giving us two halves, and then one of the halves may be cut into two equal pieces, giving us one-half and two-quarters, and still we have but three pieces in our pie. Or, it may be cut so that each piece will be one-third of the pie, or so that one piece will be 98-100th of the pie while the other two pieces will each be but 1-100ths of the pie, **three such pieces making the whole pie.**

All of this trouble with business, which we call panics, comes from the way we cut our pie. One of the three pieces of the pie is entirely too large, and is still growing, while the other two pieces are entirely too small. The share of the total wealth product which is annually going to LAND as RENT is ever increasing at the expense of the shares which annually go to labor as wages and to capital as interest. The REAL ESTATE BOOM, which I have said is the cause of our panics, is simply the means, or process, or economic force, by which the share of wealth going as rent to land grows or is increased. **The boom increases rents and the value of land until capital and labor have little left to divide between themselves as interest and wages.**

It is to be noted here that the recipients of rent for the use of land are a very small fraction of the population, while those who receive interest and wages comprise the bulk of our people.

The Struggle Between Capital and Labor

We hear much of the irrepressible conflict between Capital and Labor, a struggle, we are told, that shall never end. The entire wealth product, they tell us, is divided between capital

and labor and that they ever have been, are, and always will be struggling over the division of the product. **But capital and labor may be likened unto the two wings of a bird,** or the two legs of a man, and **they should have no quarrel whatsoever.** Another thing, **the quarrel between capital and labor is absolutely unnecessary,** is superinduced, and is the result simply of the false political economy with which business and professional men have been filled by our colleges and the old-school economists. What reason has the man who fishes to quarrel with his rod and line, or the man who digs to quarrel with his hoe? And if the fishing rod or the hoe are owned by another man than the one who uses them, to help him to produce wealth, why should the user be not willing to pay to the owner a full round return for the use of the tool? The man who hires out the tool is entitled not only to the increase which his own use of the tool would have brought to him, but, in addition, perhaps, a fair compensation (interest) for the wear and tear resulting through its use.

This conflict between Labor and Capital is forced upon them by our Land System, through which so great a portion of the wealth produced is taken as rent for the use of land. **Labor and Capital quarrel, not over the division of the total product, but over what is left of the total product after land gets, or takes, its share as rent.** The only quarrel a man with a rod and line or with a hoe or shovel can have is with the man who claims to own the brook and says that the man with the rod cannot fish therein, or with the man who owns the earth and says that the man with the hoe or shovel cannot produce wealth therefrom. I, the rent receiver, am hiding behind a bush, while off in the open are two men, the employer and employee (Capital and Labor, so-called), in a hand-to-hand struggle, each delivering on the other blows that

weaken both and threaten them with disaster. While they two are fighting with each other I throw a stone, first at the one, and then a stone at the other, damaging first the one and then the other, until my throwing of stones from behind the bush hurts both of the two fighters more than they can hurt each other by their blows. But they do not know that I am throwing the stones, and as I hit one he thinks his antagonist has done the injury and he hits back harder than before; and as I hit the other he is of the same impression and redoubles the strength of his blows, while I, all the time keep on throwing stones at both the combatants. If these two combatants could but see me throwing stones at them from behind the bush it seems that they would stop fighting for a minute and come after me, and when they once got rid of me perhaps they would sit down and talk things over and come to a lasting peace. And so it is in the industrial world to-day. The so-called Capitalist, the owner of the tool, and the so-called Laborer, the user of the tool, both seem ignorant of the man behind the bush, to wit, the owner of the land, or landlord, who, by raising rents and increasing royalties, **and other charges for the use of land,** is ever getting an increased share of the annual product at the expense of the Capitalist and the Laborer. For all that he gets and all that they get must come out of the total wealth product. Our labor leaders and employers have been wasting too much time over little things like anti-injunction planks in party platforms. They must go after this stone thrower behind the bush.

To illustrate, just briefly, how this share of the total annual product going to land as rent increases, let us take Manhattan Island, on which a part of the City of New York now stands. This Island sold for $24 in 1626, and a cube 1-10th of an inch high may be used to represent

its value then, while to-day, 1908, when its value is $2,712,216,571, it requires a cube four feet and one-half inch high to represent its value.

A New York City lot at the corner of 42nd Street and 5th Avenue sold in 1867 for $47,000. The same lot sold in 1907 for $850,000, an increase in the value of one New York City lot of over $800,000 in forty years. If we take the $47,000, its value in 1867, and calculate its income then on a 7% basis (the interest rate at that time), we find that the share of the total product of the wealth created in 1867 going to that one lot was $3,290. If we calculate its income in 1907, on a 5% basis, we find that its share of the total product of that year was $42,500. With coal at $5 a ton, this lot received, as its share of the total product, 658 tons in 1867, while in 1907 it received 8,500 tons. With wheat at $2 a bushel the value of this lot was 23,500 bushels in 1867, and with wheat at $1 a bushel it was worth 850,000 bushels in 1907. This lot is simply a sample of New York City lots. Other lots show a much more rapid increase than this. Every city, town and village in the country will show increases in the value of its land. That is, the share going to the owners of the land in these cities, towns and villages increases as the years go by, if they are in the parts of our country where industries or farming are carried on in their neighborhood. I need not give instances of increased values of land in our American cities. Every citizen can furnish instances of his own. I have seen in Portland, Oregon, business lots increase, during a boom, from $1,800 in one year to $40,000 the next. I have seen in Brooklyn, lots on 5th Avenue increase in one year from $1,800 to $12,000. During the last boom, values of lots quadrupled in a single week in some parts of New York City, and our whole city for five years before the October panic of 1907 was boomed to an extent unpre-

cedented in its history. Probably no such land boom has ever been seen in the history of any city that man has ever built, and some people are trying to still further inflate what has already been carried too far. This boom was not confined to the City of New York, but all of our cities and larger towns experienced a real estate boom, by which rents were increased and land values marked up higher than they were before. From the Atlantic to the Pacific and from Maine to Florida there was some real estate boom, though in some parts of the country it was more intense than in others.

The Brooklyn *Eagle* for May 13, 1908, prints this little story of **"How a lot grew in value"** in Pittsburg, Pa., the center of the iron and steel industry of our country: "Dr. Gregg," a Brooklyn minister, "was left a lot in a choice location in Pittsburg, which **his father had purchased for about $7,000.** A few years ago the price of this $7,000 lot increased mightily in value, and under the careful business management of John Gregg **it sold a few years ago for something like $150,000."** Nothing need be said about the alleged **"management"** by which this particular Pittsburg lot was increased in value. The fact is, that Pittsburg, like other American cities, has had its real estate booms and this lot has been able in "a few years" to grow fat, to wit, from $7,000 to $150,000 at the expense of the owners of capital and labor in and around the City of Pittsburg. That city has gone through many labor riots (conflicts between Capital and Labor), and much damage has been done and property destroyed, for which the State of Pennsylvania, **by taxing entirely innocent parties,** has had to pay, yet the value of this lot and of all the others in the City, with perhaps a few exceptions, has **"increased mightily,"** as the *Eagle* puts it. Men have been shot down in cold blood in the region tributary to Pittsburg for protesting, in the only

way they could, against the reduction in their wages to the starvation point, that this and other lots might so increase, and their employers have claimed that business was so poor and the market for their product so bad that they could not afford to pay better wages to their men. But neither the employer nor the employee paid any attention to the tremendous incomes being gathered by the owners of the Pittsburg lots, **the men behind the bushes,** that were throwing stones at both the employer and the employee while they were quarreling over the little that was left after the Pittsburg land-owner had taken his big bite out of the pie that Capital and Labor had together produced from the land in and around Pittsburg. This Pittsburg story is repeated in every city and town in the United States, only in a greater or less degree. The question is: What did the owner of this lot do that justifies such a tremendous increase in its value? How could his "management" cause the income of this lot to increase from $420 (on a 6% basis) to $9,000 per annum? Had he been hunting lions and other big game in Africa the increase would have taken place just the same. And this lot is only one of many lots **which had the same experience,** as the *Eagle* story relates. I was born in Pennsylvania, and I have said many times to taxpayers and residents of that State that God Almighty had given them enough mineral wealth—coal, iron, oil, etc.—to build a college on every hill and to educate and feed every boy and girl born in the State at the State's expense and to give every one that graduates $1,000 cash with which to start out in the world. But with Pittsburg lots growing in value as this one has it is to be expected that instead of education, peace and perfect prosperity in that State, **among all its people,** we should find, as we do in places, the densest ignorance, the deepest poverty, the most helplessly overworked

and cowed employees, to be found in any State in the Union, and I have traveled through nearly all of them with the purpose of observing the condition of their laborers. Out of the bowels of her bounty some 1,700 libraries have been built in this and other countries, but they all bear the name of the man who has profited more than any other from the **ignorance and stupidity** of the people of that great State. Poor Pennsylvania! The manner in which her people have been sucked dry of their sustenance, robbed of their natural inheritance, by the millionaires of our great cities, who have for years exploited her while her so-called guardians have slept the sleep of the dead, will be a chapter yet to be written in the history of our country that shall make the blood of future generations run cold with horror. She taxes her anthracite coal lands, worth $30,000 an acre, at a few dollars an acre as though it was scrub oak land, with no value to it until the scrub oak shall grow up. What she gets in taxes out of her oil and iron lands no one knows, but Pennsylvania stands on the highways of the States calling out to be reformed in a louder voice and with greater excuse than any other State in the Union. She so neglects the taxation of her mineral resources that she must resort to a poll tax to get revenues to run her government. Again I say, Poor Pennsylvania!

But Pennsylvania is not the only State in the Union. She is merely one of the forty-six squares of the great Union checker-board on which the rent-wages-interest game is being played. How insignificant do the tariff question, the money question, the railroad rebate and other questions become in comparison with this vital question of the milking of our great natural resources for the benefit of the very few!

CHAPTER IV

HOW THE REAL ESTATE BOOM CRIPPLES BUSINESS

The question now is: **How does the real estate boom,** which is the economic process by which the share going to land is increased, **bring the panic?**

Let us suppose that a clerk, or a mechanic, in New York City, is getting $20 a week as wages, and that he pays as rent $5 a week. He then has $15 a week, after paying for his shelter, to spend on the avenue for furniture, clothing and provisions, and, perhaps, out of the $15, he may have a dollar or so for luxuries, like cigars for himself, ice cream for his wife, or soda water for his children. This $15, which he spends at the store on the avenue, determines to a degree the amount of business which the storekeeper does; as well, the amount of business the various factories who sell to the storekeeper do; as well, the amount of labor which the employees in both the store and the factory will have to do; as well, the amount of business which the railroads and steamships and their employees will have to do. Now a **real estate boom sets in,** and the rent of the clerk or the mechanic, is raised from $5 a week to $7 a week. He then has but $13 of his $20 with which to go to the stores on the avenue to buy. But the same real estate boom raises also the rents of the stores along the avenues at the same time it raises the rents of the clerk and the mechanic in the flat or tenement. **To get back the increased rents** which they pay for the stores, the shopkeepers on the avenue **increase the prices of their goods,** and we then begin to "enjoy" a period of what are called "high prices." Some politicians claim that as long as

we have high prices we will have prosperity. So we see that after the real estate boom has raised the rents in the flat and in the stores an entirely new condition obtains, to wit, that while the clerk and the mechanic under the increased rents, have less money in their pockets to take to the stores, they find, when they get there to buy, that prices are higher than before. This, at once, **forces an economy in consumption** on the part of these tenants whose rents have been increased, and **this forced economy brings immediate under-consumption** of the goods in the stores on the avenues, which re-acts upon the manufacturers, whose orders grow less, and we have then the phenomenon called "Over-Production," so apparent in every panic, and which over-production some people think is the cause of the panic. But this **over-production is only another term for the under-consumption** resulting from the increased rents in tenements and stores brought about by the real estate boom. By the term "tenement" I mean every dwelling that is rented.

But let us try an illustration, or a parable, as they were called in ancient times: A clothier in a town or city is keeping in a corner, or inside store, a large quantity of men's clothing. In his store window he has on display ten suits of clothes and on each suit is fastened a price tag of $10. There come to his window ten men, each having in his pocket $10 and each wanting and needing a suit of clothes of the kind, description and price of those on display in the window. Under these conditions the clothier has a splendid chance to do business. But before they go in to buy, one of the ten men suggests that they go around the corner and play a game of poker. So they adjourn to a neighboring room and play poker for several hours, and then they all come around again and look into the clothier's window where the ten suits with the $10 tags are still

on display. But after the game of poker, instead of each of the ten men having $10 as before, one of them has $50, while the other $50 is distributed among the other nine. Now, under these new conditions, the clothier in the store has not the same chance to sell his goods as he had before the game of poker. Before the game of poker each of the ten men could buy a suit, but after the game of poker, while one of the ten men can buy five suits, probably only one or two of the other nine can buy one suit, and six or seven of the ten men must abandon the idea of buying a $10 suit. But before the men go into the store to buy, one of them, hoping to win back his losings, suggests that they play some more poker, which they do, with the result that at the end of the second game one of the ten men has $90 of the original $100, and the other $10 is scattered promiscuously in the pockets of the other nine. It is evident that after the second game only one of the ten men can buy a $10 suit, and, while he has the money to buy nine suits, the chances are that he will conclude that a $10 suit of clothes is not good enough for him and that he will go to another store and pay $50 for one suit. Now, the $50 suit does not require so much labor in the making, either in the original material or in the tailoring, as would the making of five of the $10 suits, and so the game of poker has worked disaster, not alone to the clothier, but to the tailors that make the suits and to the laborers that make the materials in the suits, and to the business men all along the line. This, then, explains how the capitalist in the clothing business and the laborer who makes the clothes are thrown out of employment, and, incidentally, how the owner of the store loses his tenant.

The Real Estate Boom a Grand Game of Poker

A real estate boom is simply a grand game of poker on a larger scale. We need not take part in the smaller game, but the larger game is forced on us. Like the game of poker, the real estate boom, brought about largely by **gamblers and speculators in land,** simply concentrates the wealth of the many in the hands of the few. And while the few have more money to spend on costlier things, after the boom, the many are compelled to go without even the cheapest of products. When William Waldorf Astor, who visited us several years ago, gave his agent an order to raise his rents 20%, he increased his own income at the expense of 150,000 New York City tenants, who are all consumers of American products. Indeed, it seems, that the country from which he draws his immense revenues ($10,000,000 a year, I am told) is not good enough for him to live in. But he is not the only one who increases rents after a period of business prosperity has set in. He simply sets the pace and the owners of the other large estates follow. The Astors, the Rhinelanders, the Goelets, the Lorillards, and the rest of the "400" in our American metropolis all raise their rents at the same time. That is, they raise their rents when the business prosperity enables them to ask more rent from the tenant. It is like setting out a pan of milk. When the cream rises the cat comes along and laps up the cream and leaves nothing but skimmed-milk. Another pan is set out and the cat again laps up the cream and leaves the skimmed-milk. And so we have periods of business prosperity in this country, when all our laborers are employed at steadily advancing wages, when all the rolling stock of our railroads is engaged in transporting or distributing products, when every dollar in exist-

ence is out in circulation earning interest which comes back to its owner, when the spindles in the mills are running night and day and orders for goods are increasing and collections are prompt and credit good, and the cream which we call prosperity, rises to the top of the industrial milk pan. Then in steps the landlord, wherever he has a chance (and if he doesn't see his opportunity the real estate boomer will see it for him) and laps up the prosperity by increasing his rents in store, in loft, in office, in house, in flat, in tenement, and for vacant land which he leases to business men at enormous net rentals.

The Business Man Has Not Yet Seen the Cat.

In a city like New York only one per cent. of the population own land, while **ninety-nine per cent. are rent payers,** or tenants. But of the one per cent. who own land only 1-10th are rent collectors, the other 9-10ths being home owners, who are neither landlords nor tenants. When this one-tenth of one per cent. of landlords begin to gather in the wealth of our great tenant class by increasing the rents of the ninety-nine per cent. a panic, and the consequent business depression, is absolutely inevitable. If an English battleship were to sail up the harbor and demand $10,000,000 from the wealth producers of New York City under a threat to blow up the city, most of us would go crazy with fear and excitement, but when the "400" give the cider press another squeeze and get ten times as much, we simply smile and wonder why we have a panic. Some people, I think, would smile while having their throats cut, they are "so dead easy."

When I read this last chapter to a fellow lawyer and told him that out of 125 tugs owned by the Pennsylvania Railroad in New York harbor only 21 are in use (May 13, 1908), and that 35% of the rolling stock of that railroad is idle

on the side tracks, and that this was all caused by our late real estate boom, which kept him very busy while it lasted, he said he could not see how the real estate boom here could have anything to do with the idleness of all these Pennsylvania tugs and cars. But when I told him that the boom in New York had its duplicate in Philadelphia, in Baltimore, in Chicago and other cities, and that only one per cent. of the population of these cities were benefited by the increased rents, and that this benefit to the one per cent. was at the expense of and impoverished and reduced the purchasing power of the other ninety-nine per cent., he admitted that the consequent decrease in consumption among the millions of tenants in our great cities would cause such a shrinkage in business as to force the idleness of railroad equipment, laborers and money, such as we are now experiencing.

CHAPTER V

PURCHASING LOTS ON THE INSTALLMENT PLAN

In addition to the disastrous effect on business of the increase in rents through the real estate boom, as hereinbefore set forth, and the consequent decrease in the purchasing power of the great tenant class in our centers of population, **another practice is resorted to** by many of the tenants themselves which operates further to reduce the consumption of products and to bring about over-production, as it is called, and the consequent idleness of capital and labor. I refer to the common practice, during real estate booms, of a large portion of the population purchasing vacant lots on the installment plan—"$10 down and $5 a month," or on some other terms, either less or more exacting. Sales of **vacant lots on the installment plan** are adver-

tised very largely in all the papers of our cities and larger towns, and I have seen such advertisements in papers published in the smaller towns of the country. When a young man or young woman, with a weekly or monthly wage or salary, begins to carry one or more outside lots, which he has bought on the installment plan, that young man or young woman finds it necessary to economize in his or her purchases of the articles for consumption they have been previously accustomed to buy. I have known servants on $25 a month to pay $4 a week on vacant lots which some slick advertising agent or solicitor had induced them to buy, telling them stories of how lots on Broadway and Fifth Avenue in New York City have increased in value. In this world we cannot eat our cake and have it, too, and when we begin to buy Long Island sand or Seattle swamps on the installment plan we are obliged to economize elsewhere; that is, as our money goes out for lots, we begin to save, first by denying ourselves the little luxuries and, later on, the necessaries. And when ten million consumers in the United States start in to practice such economy, while they are paying for lots, by installments, the storekeeper begins to complain of poor business and the men who trade in luxuries begin to go to the wall. The dealers in luxuries suffer first in the period of depression, and they are among the very first to fail. When one buys ice cream, soda, or cigars, or a magazine or paper, he gives employment to those who produce such things; but when he buys Long Island sand or New Jersey "fortune makers" on the installment plan he gives employment to no one, save perhaps a few selling agents, a surveyor and a plowman. **Sand is already here;** it was made by **the Maker of all things** aeons ago, and while our money may pass through such sand into the pockets of the speculators, developers and operators in sub-

urban real estate, that money does not make the wheels of industry go round. Such buying on the installment plan has the same result in wealth concentration as has the increasing of rents by the larger estates, to wit, it puts the money of the many into the pockets of the few, for generally one or two men, or a small syndicate, buy up the acreage which is "developed" into lots and sold on installments to the innocent and unthinking thousands in the cities and towns of our country. My advice to the young man or woman, who is tempted to buy a lot on the installment plan, is, DON'T. About 90% of the people who buy lots in this way lose all the money they have put into them, and lose the lots, too. Before many of the installments are paid the panic overtakes the purchasers, and through a reduction in wages or the partial or total loss of employment they are unable to keep up their installment payments and so they fall behind and lose both their money and their land. I have been told by responsible real estate men that the same land on Long Island has been sold on the installment plan three times over, each set of installment purchasers having dropped out after making part payments. I have also seen whole pages of newspaper advertisements of tax sales of lots that represent installment purchases abandoned by their purchasers. The mere matter of gross waste connected with a land system that permits such things is serious enough for thoughtful consideration.

If the young man wishes, at some time or other, to buy a lot for the purpose of having a home, let him put his savings in the savings bank where it will draw interest, and he will find ere long that he will have enough money to buy a lot and pay cash for it. By this plan he will get his lot much cheaper, for **the installment plan always inflates prices,** while, if he waits, he can buy the same lot, or one just as good, at a

much lower figure, for the reason that when the boom bursts and those who have purchased on the installment plan are obliged to let go, the man who has waited can step in and get a lot for less than half—sometimes for one-tenth—of the installment plan price. If he deposits his savings in a bank it will not only bear interest for him, but the bank will loan it on bond and mortgage to the **bona fide** builder, who improves the land, and who thus gives employment to the laborers in the building trades.

I am not writing this book, however, for the purpose of giving advice, but merely to get my readers to think, and after they have thought out the problem I am now presenting they probably will need advice from no one. They will have learned through the disastrous ravages of the boom to let land severely alone until they wish to buy it for immediate use or improvement. If they do not put their spare cash in the bank they will spend it for the products of the farms, factories and mills, and this spending will give employment to their fellow workingmen, who will reciprocate by giving employment to them; and **steady employment, with high wages and short hours, and time for leisure and change is all there is to prosperity for the workingman.**

I would like also to say to the business man: Never invest any of **your surplus capital in vacant land.** Put it out on bond and mortgage, or erect buildings, but **don't encourage the holding of land out of use.** Thousands of business men have failed because they tied up their money in vacant land and could not get it out when most needed. Business men should also consider that it is not to their interest to "beat down wages." Business prosperity depends far more upon good wages than upon good crops or good laws; and 5% on a million dollar business equals 20% on a business of a quarter million. The sections of our country through which run the rail-

roads that pay the best wages are always more prosperous than the sections through which run the roads that pay the lowest wages. The growing intelligence of our railroad managers of economic conditions has no better illustration than their endeavor during this 1907 panic to keep up the wages of railroad employees.

Employers of labor everywhere should encourage labor unions and combinations to keep wages from falling, and all **laborers and labor organizations should strenuously resist the efforts of legislators to cripple corporations and other employers by compelling them to perform services at rates that will not enable them to pay good wages,** good dividends and accumulate reserves for further extensions. The employer and employee, with a common end in view, should work harmoniously together.

We must remember, too, that if all public service were performed for nothing it would simply increase the value of land, by increasing rents, instead of benefiting the general public. **If wages increase and railroad rates increase, it will mean only that the unearned increment in the inflated value of city lots must decrease.**

CHAPTER VI

THE TROUBLE NOT OVER WHEN LAND BOOM CEASES

But let it not be thought that when the real estate boom is over the business trouble has ceased. Far from it. It has only just begun. When Mr. Astor raised his rents 20% he did not raise them for one month or for two months, but **for twelve months in every year,** and **this increased burden,** which Mr. Astor has laid

upon his tenants (and the other large estates have done like him) **must be carried by the business men** even after the land boom has passed and gone. As the months go by the business man finds that business gets no better, but his rent stands at the prosperity figure. He then begins to "cut down expenses" by laying off part of his help and overworking the other part, but without avail. Sometimes he closes up his business before it gets too late; sometimes he waits, still hoping, and then makes an assignment; sometimes he commits suicide, to be done with it forever. But while he stays in business the relentless rent collector of the big estate will visit him monthly or quarterly and take from him the increased rental tax which the estate has put upon his business.

Before the panic of 1884 I used to lunch, after school hours, at a little French bakery on Third Avenue, near Columbia College. It was a very nice place to get a good cup of coffee, with some French cake or pie, or other dainty, and I went so frequently that I became very well acquainted with its proprietor, a Frenchman who had moved here from Paris. Near the 1st day of May, 1883, he came to my table, as usual, to have a little chat, and I found that he was looking very glum. When I asked him what the trouble was he told me that the agent of the landlord (a large New York estate) had come in and told him that his rent would be raised $2,000 a year after the 1st of May. He then said to me that he would have to discharge the girls who had been waiting behind the counters and at the tables and take his own daughters out of school and put them in their places. The business men in all the stores along the street that belonged to the same estate had a like experience. At this same time I was boarding in a big brown stone row on West Fourteenth Street between Seventh and Eighth avenues. The agent of the

landlord called on the boarding-house keeper and notified him that his rent would be increased from $2,400 to $3,600 a year. The boarding-house keeper proved that he had been a good and careful tenant, having been prompt in his payments and having made all the repairs, so the agent let him off with an increase of $1,000 a year, or $83.33 a month. All the boarders were called into the parlor soon after and the rent situation was explained. The result was that he raised the board of each of us and then he fed us less than formerly. How else, pray, could he make up the $1,000 a year, which this estate took out of his receipts? The house was not enlarged so that it would accommodate more boarders, nor was it beautified in any way so that it would attract a better class of boarders. **For the same old house in the same old condition the additional $1,000 was exacted.** The owner of this property did not live in the United States, but it would not have made much difference to his victims if he did. At the same time, also, the Astor estate owned a building at No. 10 Wall Street, in New York City, known as the Schermerhorn Building. The old building was torn down and a new one erected, in the year 1885, I think. But in the old building a well-known broker had several offices, or rooms, for which he paid to the Astor estate $3,500 a year rent. The rent for these rooms was increased to $10,000 a year, I was told by a gentleman connected with the inside workings of the Astor properties, who also said that the increased rents for one year of the old building at 10 Wall Street furnished enough money to put up the new building that was afterward erected in its place—not the total rents for one year, but the increase in the rents for one year. Business in Wall Street, and all over the country, was very brisk at the time and of course the brokers could afford to pay more rent for their offices,

and **the big estates, always on the job,** and in like manner as during previous periods of business prosperity, came in and **made them pay.** Rents went up all over New York City, and all over the country just about this time, and **a great boom in real estate was on,** and the panic of 1884 came post haste.

Just before the recent 1907 panic one of the Astor women rented her Fifth Avenue house for $50,000 net per annum more than she ever before received for it. The Zabrowski estate, which has its headquarters in Italy, recently rented a small piece of ground on Broadway near Fifty-ninth Street, for $75,000 net per annum. By "net" is meant that the tenant pays all taxes, assessments, etc. This particular piece of land the Zabrowski estate bought thirty-five years ago for $36,000, so that now it receives over 100% on its investment every six months. But 200% per annum is a poor income for first-class Manhattan real estate. Some of the Astor property yields an income far above 1,000% per annum on its cost to that estate—all of it coming out of the business men of the country.

During the late boom, lots in my own neighborhood in Flatbush, Brooklyn, have increased in eight years from $300 to $4,000, a small part of which increase, of course, is the result of street and other improvements. And men there are asking for twenty-foot lots ten times as much as they paid for an acre of land a few decades ago. **Any one who expects business prosperity to continue with these added rent burdens placed upon it is certainly an optimist.** But our optimists have not yet learned that **land lives off of business** and that **excessive rents and good business cannot exist together.** A delicatessen man in my neighborhood says that he must go out of business; that people who a year ago brought from $14 to $20 a month to his store are now bringing but $2. The keeper

of a small gents' furnishing store near by took in $240 in August, 1906; while last August he took in but $80. His customers are paying higher rents, or installments on vacant lots, and they can't buy haberdashery as they did before. While the barber who shaves me says that his little shop takes in $25 a week less than it did during the boom. The country storekeeper knows that when the circus comes to town his business is poorer because the circus gets the money.

CHAPTER VII

THE BUILDING BOOM A GOOD THING

I do not wish my readers to think that when I talk about the real estate boom I am criticising the building boom. Not at all. He who makes two blades of grass grow where only one grew before is a blessing, and so is the builder of houses, stores, factories, hotels, theaters, railroads, etc. And **he who improves land in any way should not only be encouraged but praised. The State should so encourage these improvements as to exempt them from all taxation.** But in these days a man can't whitewash his fence or paint his shutters without running the risk of being punished for it. I am inveighing against the vacant lot, filled with stones, weeds, tin cans, dead cats, etc., and the system that discourages its improvement and against the large tracts held by speculators in the suburbs of our cities and towns.

The builder gives employment to more kinds of laborers and mechanics, perhaps, than any other employer. He first calls in the lawyer, then the surveyor, then the architect, then the cellar digger, then the mason, then the carpenter

or bricklayer, then the plasterer, roofer, stair-builder, the tinner and plumber, the painter and decorator and finally the gardener and the insurance agent. **God bless the builder, for he seems to be at the bottom of things.** But the builder of houses not only gives employment to laborers, craftsmen and professional men; he also provides homes for the people. We have not nearly enough homes. In the City of New York people live like pigs in a sty, crowded together like sardines in a box, while all around in the outskirts is sufficient vacant land to house comfortably every family, if we could only put the builder and his thousands of helpers to work. Some years ago, in New York City, we found in an old-fashioned house four families living in one room, a family in each corner, while they did their cooking on a stove in the middle of the room. **And one of these families had a boarder.** The congestion just now is so marked because of recently increased rents ($8 and $9 tenements having gone up to $19 and $20 a month and $2,500 apartments to $3,500 a year), that in some of the tenements on the East Side of old New York City half of the family occupy the bed until midnight, when they get out and let the other half occupy it until morning—and **all this in the civilized City, which we call the metropolis of our civilized country.**

But the land, or real estate boom which I am talking about, **gets in the way of the builder and puts him out of business** and all his helpers out of work. The speculation in vacant land and suburban lots in the neighborhoods where the builder is making his improvements gets so brisk, during the boom, that the builder finds that lots cost so much that he must increase the cost of his houses in order to get back his money. The increased cost of houses acts like the increased cost of anything else, it lessens their sale. When silk sells at $1 a yard a certain portion of the

community can buy silk, when it goes up to $2 a yard a much smaller number can buy it. At 50 cents a yard the sale of silk is ten times as great as at $2 a yard. So with houses. A lot at $500 to the builder, on which he erects a $4,000 house, will sell at from $5,000 to $6,000. When the lot is boomed to $3,000 the same house must bring from $8,000 to $10,000. And, as the prices rise, the sales become less, until a time comes when the builder's sales are so infrequent that he stops building any more houses, indeed he lets many stand only half completed. He then lays off his men, when **thousands upon thousands are thrown out of work.** If these new houses were kept down to $5,000 they would "go like hot cakes," just the same as silk at 50 cents a yard. An express train may make fifty miles an hour through two inches of snow, twenty miles an hour through four inches, and ten miles an hour through a foot of snow, but it will come to a dead stop when the snow is four feet deep. So it is with the builder of houses. He comes to a dead stop when the cost of lots is so high that he cannot find customers to buy at the necessarily high prices. The disemployment of the men in the building trades, brought about through this increased cost of lots, affects at once the tens of thousands in other callings and trades from whom the building tradesmen get their supplies. This again affects and disemploys still others, and pretty soon we are confronted with our old friend, **"the tramp,"** who is simply a man thrown out of work by causes of which he is as ignorant as are most of our college professors. The railroads suffer loss of business when building materials are no longer needed for houses in our cities and towns.

After the business boom, or period of prosperity, has been swallowed up by the real estate boom, the real estate boom itself comes to a stop. **After land, which lives off of business,**

has killed or checked business (the goose that lays its golden eggs) it stops its booming, and a great many of those who have been booming real estate find themselves out of employment, so that men who once earned fifty and sixty dollars a week selling lots on big commissions begin to sell tea and coffee from house to house, lead pencils, safety razors, etc., on small commissions, while a great many live on their friends or on the credit which they established during the palmy days of the boom. **A few of these boomers also commit suicide** or go crazy, not knowing what the trouble is. I speak thus plainly out of **my sympathy for the real estate boomer,** so that he may see that he is his own greatest enemy and that by booming land he shuts off the possibility of his making an honest and decent living at anything else. **The law of supply and demand does not apply to land.** If we could build a ladder to the moon we could escape the land boom pressure, but there is only so much land, and while man may increase all kinds of products when demand requires he must get along with what land God has seen fit to give him.

CHAPTER VIII

WHAT IS RENT?

I have said that the term rent is applied to the share of the total product of wealth which goes to land. By rent I do not mean, as the lawyers do, any income that buildings or improvements on land yield, but simply the income that the land itself yields. The income from buildings and improvements, speaking economically, is interest. So, too, the income from land

improved by filling in, leveling, draining, etc., to the extent of such improvements.

It will be seen at once that when rents go up in our cities it is not an increased revenue from the buildings, but from the land under the buildings. This explains why the older a building becomes in a city the more valuable it, with the site on which it stands, becomes. Temporarily, of course, **the income from a building,** through increased cost of labor and of building materials, may be increased, the same as the income of a hired wagon may be increased, but this **is simply an increase in interest, not in rent.**

This term rent, then, **is restricted to those incomes which are derived from the property which man has not made,** but which is furnished by nature, and which we sometimes refer to as **the resources of a country.** When Mr. Rockefeller took his score or more of millions out of the United States in one year, he got much of it by selling to us and to others the raw material—crude petroleum—in the earth, which I have included in my term land, and which crude petroleum his company turned into kerosene for our lamps and gasoline for our automobiles; but **it is the earth which yields part of this vast income.** When Mr. Carnegie draws $28 a minute out of the total product of the wealth produced in this country he gets most of it by simply selling the coal in one side of a mountain, the iron in the other side and the timber on the top, all part of the earth, turned into steel. **If the Nazarene Carpenter could have lived until now and had begun to save $1 a day from the time He was born, 20 centuries ago, He would not yet have $1,000,000,** nor three-fourths of a million. Yet the incomes of these two men run into millions because of the ownership of vast tracts of coal, oil and iron ore lands by the corporations in which they own stock. The people who own the anthracite and bituminous coal lands, the

gold, silver and copper mines, the stone quarries, the clay deposits, the water powers, etc., and whose incomes are sometimes beyond the dreams of avarice itself are **merely rent receivers** whose wealth comes out of the land—the natural resources of the country. Our State governors were told lately by the President that these resources should be preserved and conserved, as they belong to the people, but no one suggested how this property of the people is to get into the hands of the people. I shall tell how later on.

The Farmer Is Not a Rent Receiver

Now I do not wish to have it understood that the farmer is the receiver of rent. He has a hard enough row to hoe without being classed with our rent receivers. He raises potatoes, wheat, apples, stock, etc., and sells them. Nearly all of what he gets for his crops is wages for his labor in raising and reaping his crops. Part of it is interest for the capital which his houses, barns, wagons, horses, etc., represent. If his farm be near a good market the value of his land will be greater than the same kind of land farther away from the market, and this difference in value is capitalized rent. The tenant farmer, who farms on the shares or for a fixed sum, pays rent for the use of farm land and interest for the use of the buildings and other improvements.

Rent is what one man pays to another for living on the earth, or for something in the earth. **What one man gets by selling to another the blessings which God intended for all of his children.** This rent is squeezed out of labor and capital, that is, out of business. It cannot possibly come elsewise. Rent reduces the purchasing power of those who pay it to a minimum so that the vast majority of the population of the earth, after paying their rent, are in a continuous state of poverty. In the towns and

cities they pay so much rent for shelter that they have little left for furniture, clothing and provisions, to say nothing of luxuries. **Rent is the progenitor of poverty.** Rent is the income which enables the "400" in our cities to give dinners to dogs and monkeys, while their tenants, who pay the rent, scarcely know where their next meal is coming from. **The real estate booms in our cities and towns simply increase rent,** or the incomes of those who own land, at the expense of those who do not own land. This, as I have shown, is what brings the panic and causes the periods of business depression with which our country has become so familiar. According to the United States census of 1900, 306 of our cities contained 22,500,000 of the total population of the country. Of these 306 cities each had a population of over 14,000; and at this date they probably have a total population of 30,000,000.

Now, it will be said that **rent depends upon business,** and that a good business can afford to pay a good rent, etc. Just so, and the large apple will yield the most cider, but **why should the business man pay so much of his income for rent** to one who has not contributed at all to the prosperity which the business enjoys? When the business man has his rent raised, he both raises the price of his goods and reduces the salaries of his clerks to meet the exactions of his landlord. And if an increased business would seem to justify an increased rent, why does he not keep the prosperity for himself and divide it up among his customers in lower prices and his employees in higher wages, instead of handing it over to his landlord, who gives him nothing in return for the increase in the rent? Why, if you own your home and pay no rent for store or office, do you pay such exorbitant prices for coal, oil, gasoline and the other earth products?

Rent may also be likened to the governor on an engine, which regulates the speed of the machinery of an entire factory. When the machinery runs too fast the governor shuts off the steam from the boiler, which lessens the speed; when it runs too slowly the governor admits more steam, which increases the speed. **Consumption of products is the steam which runs business. Consumption depends upon purchasing power, and purchasing power is what our consumers have to spend after they have paid their rent.** When they begin to consume in large quantities and we have business prosperity, the real estate boom sets in, and, by increasing rents, reduces their purchasing power, which curtails their consumption and cripples general business. Many business men believe that confidence is the mainstay of business. It is not. **Consumption of products, not confidence, is what makes business possible,** and confidence is only shaken after consumption has been lessened by the real estate boom and the increasing of rents. This is why **a real estate boom is always bound to bring a panic.** The boom acts like an automatic shut-off on business; throttles it.

The Small vs. the Large Landlord

A great many of the smaller landlords will resent this apparent attack on them and will claim that the real estate held by them brings in a small income and that such income is at times very irregular, while in the very worst periods the income is almost entirely cut off because of the poor tenants and the fact that some of their property stands idle for long periods. With all of this I agree fully. And I maintain further that the landlord, who builds on and improves his property, is entitled to 10% income on his investment and I am sure that very many of our small landlords—those who own two and

three family houses, and some of the smaller tenements—would be glad if they could get a steady 10% income from their property. But these smaller landlords are often eaten up by the larger estates, like those of the Astors, the Rhinelanders, the Lorillards, the Goelets and others. **These big estates own the property** in those business sections of our cities **that must be used for business** while there is any business to be done, and, when they increase their rents, they are in a position to dictate terms to their tenants. When they place a rental upon a store or building, or a vacant lot, to be built upon by the tenant, they stick to that price until they get it, for the reason that their other real estate holdings are so large that they can afford to do what the smaller landlords find it impossible to do, to wit, hold until they get their price. So the property of the large estates in the business strongholds of our cities has the power to suck dry the values of the smaller landlords in other parts of the city. By putting a straw in the center of a plate filled with a half inch of water and by sucking on the straw one can raise the water in it to ten inches above the level, but by so doing the level of the water all over the plate will be reduced. So the real estate boom acts finally upon the small landlord. The straw of the big landlord, which sucks exorbitant rents out of his tenants and raises the values of his property into the millions, lowers the rents in the suburbs and causes the small landlord to take much less income on his investment than he could get if all his rooms were filled by tenants who are prosperous, in that they have steady employment at good wages. This may seem to be a contradiction of my argument against high rents, which contradiction would invalidate my argument that real estate booms, by raising rents, bring our panics. But it is not. For a few years the small landlord, under the stimulus of the

business boom, will get a higher rent for his flats or stores, but this increased rent is only temporary. The forces operating to reduce his rents, as I shall show later, take from him, in loss of rentals through poor payments and vacancies, more than he gained by the temporary increase. He would be much better off with a steady 10% gross income, lasting throughout the year for many years, than to get 25% for one or two years out of ten and 3% or 4% for the other years. The conservative landlord, who gets a fair rental all the year round, is in a better general condition than he who wants all that he can get, but gets that only for a short time.

The same force that compels the small landlord in the cities, and the suburban property owner, to take for long periods smaller incomes on their property operates to compel the smaller cities of the country to yield up a share of their income to the owners of the inside property in the larger cities. The tremendous land values and high rentals in New York City drain all the towns and smaller cities for hundreds of miles around. These high rents come out of the business of the country generally, as well as out of the local business; and the general business cannot pay it twice. So that if New York City is in a position to compel business to pay the rent tax to New York, other places, in which part of the business is done, must yield gracefully to New York. The same rule applies to Philadelphia, to Buffalo and Pittsburg, to Cleveland, to Chicago and St. Louis. The values of land in each of these cities are made up partly by the smaller cities and towns contributary to them. **The millions that Hetty Green gets out of Chicago real estate are not paid to her by Chicago tenants solely.** These Chicago tenants are mere collecting agents for her. Her great income from Chicago rents is made up by people who live and do business in Omaha, Denver,

Kansas City and St. Paul; by the farmers and laborers of Ohio, Illinois, Michigan, Wisconsin, Iowa and other States. From every bushel of wheat and every barrel of pork that passes through Chicago something is taken to swell the incomes of the big Chicago landlords. The big cities are simply the business clearing houses of the smaller cities of the country, and the smaller cities are business clearing houses of the towns and villages surrounding them; and while we find that some rent is collected in the villages, towns and cities, for the use of land therein, all of these contribute to the big rents that are gathered by the owners of land in the larger cities, which are the main centers of the production and distribution of wealth. There is a sort of tug-o'-war going on in business at all times and the stronger and more advantageously situated cities have an advantage over the weaker and less advantageously situated, so that the larger fortunes, founded on real estate holdings, are in the big cities, which are the strongholds of business and commerce, to wit, of the production and distribution of wealth.

Before closing this chapter let me call attention to the fact, which may otherwise be overlooked, that the incomes from suburban and small city property are made up far more of interest on the improvements than of rent for the land; while in the larger cities the reverse is generally true, the inside land in the latter nearly always being more valuable than the improvements. So that when suburban property decreases in value, as it invariably does, after the real estate boom has spent itself, the improvements, which are capital, depreciate in earning power just the same as does the rolling stock of a railroad, or the machinery and buildings of our factories.

The great terminals and the rights of way of our railroads, irrespective of the buildings, are

land, and the income which our railroads derive from this part of their property is rent. It may be, therefore, that an old-established railroad, which purchased its terminals and right of way when land was cheap, may thrive and pay some dividends while its more modern rival, which has paid high prices for its right of way and terminals, will go into bankruptcy. The West Shore foreclosure sale illustrates this proposition. And the "Reading" Railroad, under the presidency of McGowan, went into bankruptcy through buying rights of way and terminals at enormous prices in the cities and towns of Pennsylvania. And doubtless this is the trouble with Mr. Gould's Wheeling & Lake Erie, which is now in the hands of a receiver.

The Inflation and Watering of Stocks

Lest my argument be construed as being too narrow in its scope, I desire to say that the real estate boom manifests itself outside of what may be included in the land in our cities and towns. For what is often paid as dividends on stocks is no different in character, speaking economically, from what is paid as rent for the use of land. The property of many of our corporations is made up very largely of land—coal land, iron land, gold land, terminals, water powers, etc.—and bonds, secured by mortgage on this land, are issued by the corporations, while shares of stock are issued to represent the equity in the land above the mortgage. While the interest rate on the bonds is fixed by the terms of the bond and mortgage the dividends on the shares are not so fixed. The interest on the bonds and dividends on the stock of a corporation, whose principal asset is land, are partly rent, and during prosperous times, when there is a great demand for raw material—fuel, lime, timber, etc.—which comes directly from

the earth, these dividends, through increased prices for such raw material, may increase enormously, and their increase is not a whit different from the increase in rents for the use of land in our cities; and such increases in dividends tend to bring the panic and business depression, for the higher prices spell decreased consumption and poor markets. The Waters-Pierce Oil Company of Texas, a sub-company of the Standard Oil Company, paid dividends of 684% per annum.

The redeeming feature about dividends is that the stock is generally largely distributed, and wealth distribution is the great desideratum. The stock of the land-owning corporation being widely distributed the increased dividends do not affect general business so much as if the mines, timber tracts, oil wells, etc., are owned by a very few—the concentration of wealth being much less in the former case than in the latter.

So it would be if half of the population of a city were land-owners. Increased rents would, in such case, be taken from half of the population and handed over to the other half, and the other half, enjoying an increased purchasing power from the increased rents, would go into the market and probably consume as much more than usual as those who pay the increased rents would consume as much less than usual. But in New York City, where it is claimed that out of a population of 4,000,000, only 100,000 are home owners, the balance being tenants, the increase in rents produces a concentration of wealth which at once deals business, that is, production and distribution, a staggering blow. When I speak thus of New York City I have in mind, of course, other cities of the Union.

It is claimed that 100,000 owners of American property live in Europe, and derive such tremendous incomes therefrom that large exports of American products are made annually to satisfy their constant drain upon this country.

CHAPTER IX

THE GRADUAL RETURN OF PROSPERITY

The periodicity of our panics teaches us that **hard times do not last always** and that **business will get better** at some time. But I do not wish to be understood as saying that either capital or labor has yet enjoyed real prosperity. Land, of course, has. **When** business will get better is a matter of speculation among many present writers on economic subjects. Some said that business prosperity would return after the late Presidential election, others that it will come after liquidation goes a little further, others, after we have a better currency system, etc. As this panic does not differ in any respect from any of our previous panics, and as it has been brought about by the real estate boom, as were all of our other panics, predictions as to how soon prosperity will return are useless, but it takes a long while for the elements which constitute good business to settle down again after a land boom upheaval. Much depends upon the area over which the land boom has spread, and much upon the intensity of it.

Last March on Worth Street, between the Bowery and Broadway in New York City, were hundreds of men huddled together on the sidewalk with newspapers over them trying to keep warm while sleeping through the night, and yet this mockery which we call civilization, **sometimes Christian civilization,** is unable to find enough work for such men to provide a lodging for them in a cheap lodging-house. **The "400" come high, but it seems we must have them.**

But we have had like conditions in former panics and it is more than likely that we shall

have more of such trouble before prosperity again shines upon us. But **prosperity will certainly come again, and will as certainly depart,** unless we lay our plans to hold her the next time she comes. The question now is: **What will bring the return of prosperity?**

The Expansion and Contraction of Population in Our Great Cities

We all know that our cities grow in population and that very few of our American towns show any decrease in population. It is not so well known, however, that the population of a city, independent of its numerical growth, may expand and contract like a piece of rubber. Four millions of people may occupy to their fullest extent one million buildings, during a period of business prosperity, while, during a period of business depression, these four millions of people may crowd themselves into a half or a quarter million of buildings and let the other half or three-quarters lie idle, or unoccupied. Business prosperity is cotemporaneous with steady employment and good wages. At such times of prosperity those who have occupied two rooms move into five, and the five-room people move into eight, while the eight-room people move into houses of the smaller type, and the occupiers of the smaller houses move into larger houses, which the builder is erecting to supply the demand made by the expansion of population resulting thus from prosperity, that is, from steady employment and good wages. Of course, I assume that when employers can give steady employment and good wages their business is so good that they get well paid for their labor of superintendence, and good incomes or interest from the capital invested in their business. Prosperity is confined to no class when business is good; it is only confined to a very small

class when business is bad, as I shall show later.

After the real estate boom has had its run, and has petered out through self-exhaustion and because the business upon which it feeds and grows fat has been sucked dry, and business prosperity has been killed by it, and millions of people have been thrown out of employment, **a period of the strictest economy sets in** immediately. Those who have suffered decreases in their wages and salaries, move from their eight rooms back into five rooms and the five-room tenants get back again into one room, a part of which they are often compelled to share in order to get revenue enough to pay the rent demanded for it. As the incomes of the customers at the stores on the avenues grow less through disemployment, or decreased wages, many of the storekeepers are driven out of business and close up and leave their stores vacant. As the more prosperous business man, who has purchased a large house from the builder in the newer sections of the city, finds that his business is getting poorer and that he must make sacrifices he puts his house on the market, while many others are **forced to sell their homes** because they cannot make their interest payments after the forced reduction in their salaries or incomes. **All of this cruel and avoidable readjustment, by which thousands of families lose their homes and all their savings,** increases the number of houses that are offered for occupation. At these times the "TO LET" and "FOR SALE" signs are seen all over the city, in houses, in flats, in tenements and in stores. And when these have hung out for a long while, for month after month and year after year, business prosperity begins to gradually return.

When the "TO LET" sign is out for a long while the landlord, confronted with taxes and necessary repairs, is in a mood to negotiate with a possible tenant at a much lower rent than

formerly. Competition among landlords for tenants **brings rents away down,** and **every dollar less that the tenant pays for rent increases his purchasing power just the same as if his wages had been raised that much.** During this period of readjustment high-priced houses, empty for years, are sold, land and all, at thousands of dollars less than the real value of the house, and other real estate goes hunting for purchasers at bargain-counter prices, while the "VACANT LOT INDUSTRY" has gone clear out of business, as no one has thought of buying vacant lots for years.

During this change in real estate conditions business begins to get its feet again and times get a little better, orders for goods begin to multiply and collections are somewhat easier, while business failures show marked decreases.

In a city like New York, and in all our cities and towns, however hard the times, and however many men and women are out of employment, there are always hundreds and thousands at work, for there must be a certain amount of coal distributed in the city, a certain amount of bread made and milk marketed, and a certain amount of clothing, furniture and provisions sold among those who are at work, while the street car men, the policemen, postmen and firemen are always employed. When the reduction in rents comes to those who have been employed right through the business depression, and when prices of all kinds of commodities come down again because store, warehouse and factory rents have taken a big drop, and decreased consumption has helped to bring lower prices, we find then a new condition, the exact reverse of that when the clerk or mechanic, while the real estate boom was on, went to the store with less money in his pocket to find that things cost more than before. Now, his rent having been reduced, **he goes to the store with more money**

in his pocket to find that things cost less, and he begins to increase his purchases at once, and the more he increases his purchases and enlarges his consumption along with all the others, the more idle men and women he and they thus put to work in supplying their demands. In this way more people get wages than before, and these again begin to buy at the lower range of prices and they again call into employment more and still more of the idle, until, after a while, we have all of the unemployed again at work, and **all at a reduced rent** for the tenements they occupy, and **all getting goods cheaper** than before because of the decreased rents in the stores and elsewhere.

During this period of re-employment of the idle laborers new businesses spring up and old ones revive and all kinds of production and distribution are benefited, so that business men, as they are called, begin again to enjoy prosperity. A year or so of this goes on until the entire country is aflame with business prosperity, and wages go up, and employment not only gets steady, but the mills run night and day to fill orders, while millions come here from other shores to do the rough work necessary to be done in a growing country like ours. We soon find Messrs. Hill and Harriman complaining that they cannot get enough cars and locomotives to handle the business offered, and we hear dreadful stories of how the freight gets blocked and piled up in the great centers of distribution, to wit, the freight depots and wharves of our important cities.

Then, while in the enjoyment of this prosperity, the two-room tenant begins to look for five rooms, the five-roomer gets into seven, the seven-roomer, who has been able to save a little money, hunts a small house, and the small house man, having a chance to sell his home on good terms, buys a larger house, while the

builder, with all his various forces, **is busy** supplying the demand for houses of a growing and expanding population, filled to the brim with what we call prosperity.

Also, at this time, the land gambler, **of all gamblers the very worst,** comes on the scene; the real estate offices begin to multiply like fly specs, and the speculator and operator begin to buy improved property and to increase rents, and the big estates, **urged by their walking delegates,** the real estate agents, **who collect rents on commission** and are thus interested in high rents, begin raising rents **lest any of the prosperity shall escape them.** So, while the business prosperity is expanding, the rents begin again to advance all round, and land begins to boom as before, until prosperity is eclipsed once more, when we finally come again to the next panic, with its breaking of banks, its period of suicide, of forced idleness, of loss of confidence, etc., etc. **It takes about ten years to complete the cycle,** but it is always traveled in just the way that I have described.

So if I should say that the "PANIC" is a very easy thing to understand you might comprehend why I think it so easy.

All one has to do is to wait until the "BOOMER" gets on the field and REAL ESTATE OFFICES begin to multiply, and to watch how rents are going up, and how this man and that man have made big money out of this piece of land and out of that corner lot, and how some old, unkempt and ignorant farmer near a big and growing city has made a fortune by selling his farm to a syndicate of developers, who are selling it on installments through page advertisements in the daily prints, etc., etc., **ad nauseum.** These are **"the signs of the times."** By them we can tell that the panic is on the way, because all of this brings high rents to the great tenant class, with **consequent decrease in the**

purchasing power of that great class, and with decreased purchasing power we must have decreased consumption of the products of labor and capital, which to the producers and distributors of wealth spells HARD TIMES.

At this time sell the market short.

If, when Mr. Astor raises his rents 20% on his 150,000 tenants, he would go into the stores and buy the furniture, clothing and provisions that his tenants would have bought if he had let them alone; or if he would buy as many automobiles, or as much jewelry or ice cream as they would have bought if his agent had not brought them the depressing news of an increase in their rents, all would have gone on smoothly and nothing would have happened to the business of the country. But Mr. Astor does not do this, nor do the other members of the "400" after they have made their periodical raids on their tenants. Mr. Astor may buy a fine European picture for $50,000, or some Roman or other antiquities at enormous prices, or he may buy another English estate at fancy figures, or spend a million per annum on an English regiment, but **his expenditure in such ways of the money he gets out of his American tenants** does not make the wheels of industry here in America go round. **His purchasing power has been increased enormously by his increase in his rents, but his consumption is not increased in proportion.** By increasing rents he has deprived tens of thousands of people of the power to purchase and consume the very things that help to make business healthy, but he does not visit the stores and make good to the dealers what they lose in sales when his tenants begin to stay away or stop buying. His consumption is at a maximum before he increases his rents.

The owners of the other estates do the same. They may indeed spend $25,000, or more, for butterflies at the "coming out" of their daughters,

but the butterfly industry in this country is not even important enough to interest the microscopic eyes of our high tariff advocates. **Butterfly consumption,** with the other forms of riotous living of those who simply wallow in wealth after the real estate boom has increased their rents and brought business paralysis and starvation to men, women and children, **does not go far in bringing back a departed prosperity.** Prosperity comes back only when the great tenant class (99% of the population of New York City) begin to feel the effects of a lower rent scale, which is soon followed by a higher wage scale because of the prosperity of their employers, who find business gradually getting better. Even a swell dinner by Hetty Green, given to a few swell people at a swell hotel does not counteract the effect of the decreased consumption resulting from the increased rents of her Chicago tenants.

CHAPTER X

MONEY AND THE BANKS

To write a pamphlet on PANICS and say nothing in it about money, or our banking system, would surprise, if not offend, many of my readers.

A great many people claim that our panics come from a bad monetary system, while others pour their vials of wrath upon the bankers and blame them for all our trouble. A recent publication on the subject of PANICS is filled with diatribes against our bankers, saying that when they get scared they hide all of their good money away, and then withdraw all of their credit money, which brings a shrinkage in the circulat-

ing medium, and that this is followed by the panic. **The writer does not tell us why the banker gets scared.** Everything goes along smoothly until the banker gets scared, and then something else happens for which the banker is blamed. BUT WHAT HAS SCARED THE BANKER? Why does the lender of money haul in his horns and cease to extend his credits? Let me answer.

Why the Bankers Get Scared

So long as the customers of the banker come to the bank and take up the notes discounted by the banks when they are due, the banker is willing to further extend his loans. But there comes a time when the merchant or manufacturer comes to the bank and says that he cannot take up his note, as he had expected; and, when the banker asks what the trouble is, he tells him that his sales have fallen off, that orders are not coming in as fast as before, and that his collections are not as good as they were, and that because his customers do not meet their obligations to him he cannot meet his obligation with the bank. This little tale of woe, told to the banker by hundreds or thousands of his customers, is what **"puts the scare" into the banker.** But neither the banker, nor the merchant, nor the manufacturer knows what is the cause of the poor collections, the falling off in orders and the lessened sales of which the merchant and manufacturer complain. I have already told the reader how the real estate boom, by increasing rents and through installment sales, has been gnawing away at the purchasing power of the customers who formerly consumed the goods handled by the merchant and manufacturer. When both of these operations in real estate have affected the merchants and manufacturers so that they have scared the bankers, **the bankers**

at once change their policy of freely loaning their money or their credit.

The banker will tell you that **CREDIT is based on two things,** first, **the ability to pay,** and, second, **the willingness to pay.** These two qualities in the borrower pass current at almost any bank. But when the merchant or manufacturer becomes unable to pay, however willing he may be, **the bank stops lending.** And the bank never lends money to the man who is unwilling to pay his debts, however able he may be to pay them, after it once discovers that he is unwilling to pay.

Bank Failures Merely Incidents of the Boom

Before I complete this chapter I wish to explain how it is that so many banks fail, just before the period of depression sets in. The bank failures, to some minds, are what constitute the panic, but they are simply incidents of the boom which brings the panic. Let me explain why the banks fail.

At least ninety per cent. of our business is done on credit, that is, without the direct use of cash. Most of the merchants doing business in localities where banking facilities are available borrow money, or credit, at the bank with which to carry on some of their business. That is, they unite their own capital with that of the banker, and with this money or credit they do business. The banker loans his capital on the note of the merchant, for thirty days, sixty or ninety days, or probably six months. When the loanable capital of the local banker becomes exhausted, by loans to his merchant customers and other business borrowers, he can replete his treasury by borrowing money on his customers' notes, with his endorsement, from some stronger bank in a larger business center. And this

stronger bank, when its loanable funds run low, may borrow money from a still larger bank in a still larger financial center. So, to illustrate, we find that a little business man, doing business in a city like Portland, Oregon, may find that his note, which his Portland bank discounted for him, was sent by his bank to Denver, and that the Denver bank later sent it to Chicago, and that later the Chicago bank sent it on to New York as collateral to loans which one bank makes to another in the line of banks.

Now Portland is not the only city which does business in this way. Other cities and large and small towns do business in the same manner, and their banks send the notes of their merchants on to larger banks in larger cities, which again send them as collateral to still larger banks in still larger cities, so that cities like St. Louis, Chicago, Philadelphia and New York get loaded up at times with the paper of both small and large merchants and manufacturers throughout the United States. When the real estate boom strikes the towns and cities, whose merchants have discounted their notes at the local banks, their business, as I have explained, is so crippled by the boom that they cannot take up their notes when due, and the local banks cannot take them up from the banks that have taken them as collateral, and, as the banks that are loaded up with these notes cannot get them cashed when they are due, they run short of money and cannot pay demands made upon them by their depositors. That is, their depositors' money is being used to carry the notes of the merchants and manufacturers in the towns and cities of the United States, and when these depositors get pinched for money through poor collections, and **want to use more of their deposited money than usual** their banks, being short of money, cannot cash their checks, and **so the bank closes up,** shuts its doors, "suspends," as we say.

When an examination of the assets of the suspended bank is made we are told that it is "loaded up" with worthless paper, to wit, the unpaid notes of all these business men in our cities and towns. And this is true. But all this "worthless paper" would have been perfectly good, and would have been met and taken up by the business borrowers when due, had not the real estate boom interfered with the consumption of the articles handled by the merchants and manufacturers whose paper lies unpaid in the broken banks. This interference with their business I have already explained.

By our modern Clearing House systems we have fewer bank failures than formerly because the strong Clearing House banks, by lending their credit to the weaker ones, tide the weaker banks over the period of currency shrinkage. Yet for all this we have too many bank failures.

A Frequent Cause of Bank Failures

Another reason why the banks fail is worthy attention. And this reason is still more closely connected with the real estate boom than the reason I have just set forth.

Many banks and bankers are inveigled into loaning money on vacant land itself. That is, banks and bankers finance the syndicates which are formed to boom real estate and corporations with real estate or land bases, and they put, not only their own money into these schemes, but the money of their depositors as well.

A syndicate buys a farm near a city, say for $1,000 an acre from a farmer. The farmer takes a **small payment in cash** (which is generally far more than he ever expected to get for his farm) and **a large mortgage for the balance.** It is then "developed" by the syndicate, that is, the farm is surveyed, laid out into streets on a

map, is staked into blocks and lots, the plow is run through once between the stakes to show where the streets are to be. (Very often many transfers of the property take place between the sale by the farmer and the purchase by the developers, each transfer being at a profit to the sellers.) Some lots are then sold by the "developers" on the installment plan. Perhaps a house is built here and there. The price of lots is then raised and still more are sold. Finally lots are sold back and forth among the friends of those who are in the syndicate, just for the purpose of getting prices up, like "Wash Sales" on the Stock Exchange. **Eventually the price of the land is "marked up" to say $10,000 an acre.** The banker is then approached for a loan on the "Beautiful Plot." "The scheme," the syndicate tells the banker, "is to pay off the old farmer's mortgage, to improve the streets and sell the lots all out at higher figures to still more installment buyers." The property is sometimes advertised in newspapers that take lots in exchange for advertising, and glowing editorials are written advising the innocent to get on the band wagon as the land boom is on the way. **And this, by the way, is the meanest part of the whole newspaper business.** The early installment buyers at this stage are not ready to sell their purchases, as they have not yet paid enough money to the syndicate to get deeds for their lots. Well, the banker, often a jolly old soul, generally **"a retired business man,"** sends out his appraiser to look over the plot that is offered for the loan. The appraiser reports back that sales have been made at the rate of $10,000 an acre, and, finally, the bank loans its depositors' money on this land to the extent of $7,500 an acre. Now, **when the syndicate has "cashed in"** at $7,500 an acre what they bought for $1,000 an acre, their interest is likely to lag, and they cease to boom their "Treasure Island"

as they formerly did. They move on to newer fields to repeat the operation, for land booming has become a sort of profession, and is carried on after the manner of the card sharps on our ocean steamers.

Or, if they keep on advertising their lots, they discover that sales fall off, or are not what they anticipated, the purchasers having gone elsewhere, or become tired. Anyway, the sales of lots stop, the syndicate's obligation at the bank is not met when due, and the depositors, who call for their money at the bank, find, some fine morning, a sign: "THIS BANK CLOSED BY ORDER OF THE BANK EXAMINER," etc., etc.

So that dozens of banks may fail by this method of **working the real estate boom on the banks.** The Knickerbocker Trust Company's President committed suicide when his bank failed. It was found that he was "loaded up" with vacant property over in Nutley, N. J., and in the upper part of Manhattan Island. When the Borough Bank of Brooklyn closed its doors, it was found that it was carrying "Beautiful Hollis Park."

Banks fail all over the Union, and good men and women, whose money has been deposited in them, die of broken hearts because they have lost the savings of years. But very few of them know that their losses are directly attributable to the real estate boom, which they perhaps encouraged, and which, as I am claiming and trying to prove, is the cause of our panics, and the periods of business depression which follow.

Among those who protest loudest against the **"runs on the banks,"** made by the scared depositors, are the men who have been booming real estate the hardest, and who have piped from the housetops the completion of every additional foot of subway or bridge. Every little improvement or contemplated improvement is

used by these boomers to make rents and land values higher and to make still more miserable the lives of the tenant-class. When, 25 years ago, the Elevated railroad car fare in old New York was reduced from ten to five cents, there was such a real estate boom in Harlem at the upper end of Manhattan Island that ordinary rents were increased ten dollars a month. Just lately we had a three days "Jamaica Celebration" over the opening of a subway, but the little children that marched in the parade and threw flowers in the path of our Governor will suffer pangs of hunger and many heartbreaking disappointments because of the land boom the gamblers have tried to perpetrate. For they and their children must pay the dividends on the water which these boomers are pouring into the land.

CHAPTER XI

CAN CURRENCY REFORM PREVENT PANICS?

At this juncture it may not be amiss to discuss briefly the question whether panics can be prevented by any of the proposed measures for currency reform.

When Congressman Waldo, in March, 1908, addressed a Brooklyn audience on the various methods proposed in Congress for the reform of our currency, I told him that in six months the currency question would cease to be a matter worthy of serious consideration, and that it would not again be pressed for consideration for five or more years, as the millions of idle dollars, which would for years lie in our bank vaults, would solve the money question, just as the idle men tramping the country would solve the scarcity of labor question, and as the idle cars

and locomotives on the side tracks of our railroads would solve the car famine problem. After this date the call loan rate went down to 1% per annum, and idle money poured in to the Wall Street banks from their country customers at the rate of $10,000,000 a week, while railroad earnings in the United States decreased at the rate of $300,000,000 per annum. Idle money, idle men and idle cars and factories go together, and this idleness is the very reverse of prosperity. Some Wall Street economists (?) are rejoicing at the way the dollars are piling up in the vaults of the Wall Street banks. As well might President McCrea, of the Pennsylvania Railroad, rejoice over the fact that 35% of the rolling stock of his railroad has been idle, and that out of 125 tugs owned by his road in New York Harbor only 21 are working, as for the banker to rejoice that his money is lying idle. We have in New York City to-day 200,000 men out of work, but no one is rejoicing, not even the employers of labor, for they are learning that when they are obliged to pay high wages they do more business and have more money with which to pay the high wages than they have to pay low wages when business is bad.

But no form of currency reform can cure panics any more than the gold standard or a larger output of gold can effect a cure. When the air brakes are set you cannot move your train by pouring oil into the axle boxes. No whistling of the engine, or ringing of the bell, or swinging of lanterns, will avail. The brake must be released! **High rents are the brake, currency is simply the oil, and legislation the whistle and the bell.**

Currency reform would merely increase the volume of currency at the times when money gets scarce, but such relief would simply act like the playing out of more line to accommodate the fleeing bass on one's hook; or the length-

ening of one's kite string as his kite flies higher. More currency would cause higher prices for land, **still more inflation,** and would simply enable the speculators to blow more water and wind into their little schemes than they could raise otherwise. Emergency currency will always have a new emergency to meet, to wit, the boom, for what is issued to meet one emergency will be swallowed up by the demand for its use, and the resulting scarcity will simply call for more currency. The money of the world may be likened to a rubber bag enfolding a balloon. When the balloon is inflated the rubber bag breaks. We patch up the breaks and inflate the balloon still more. Still more breaks occur, which must also be patched up, and while **these patches enlarge the rubber bag** the inflation underneath always taxes the bag to the bursting point. When business is carried on at a certain tension with given prices the money will suffice, but **when business increases and values increase** the money gets scarcer and scarcer and, at times, breaks in spots. Then CLEARING HOUSE CERTIFICATES are called into use to cover the break or patch up the puncture. An increase in the volume of money would simply act upon business as would the increasing the size of the balloon under the bag, so that the rubber will always be getting thinner and thinner, and when business is brisk will break at spots and require still further patching. Money scarcity is like car scarcity and labor scarcity, and while laborers, cars, and money keep on increasing, still they will all, during good times, get scarce; for **business grows by what it feeds upon.**

Now, the real estate boom has all to do with making money scarce, and the remedy for scarce money can be brought about by puncturing the inflation that we see all around us in the land values in our cities and towns. Let the banks that can loan on real estate confine their

loans to legitimate real estate building, and they will then have more funds for the manufacturer and merchant.

When silk sells at 50 cents a yard, so much money will be required to do the silk business of a community; when it sells at $2 a yard it will require much more money to do the same amount of silk business. When building lots in a community are selling at $500 each, so much money will do all the business of the community; but when the real estate boom runs the same lots up to $3,000 each, it will require a great deal more money to do the same amount of business, just as it will require more cars to handle the traffic of a railroad whose business has doubled. **"Money is a measure of value," and more value always requires more money to do the measuring.**

Money gets scarce in Wall Street, largely because it flows from stocks to land in New York City; that is, from the Stock Exchange to the Real Estate Exchange. The land syphons money out of the business of our country as a sponge soaks water out of a plate, so that, while inflated land values require vast sums of money to carry through the deals in them and the improvements on the inflated land, the business of manufacturing or merchandizing finds it difficult to get money for its legitimate purposes. The only remedy for "Monetary Stringency," as it is called, is to keep the land from swelling up so much in value, and by increasing the circulating medium as the population and the commerce of the country increase.

A while back Mr. Harriman was publicly censured for having poured, as it was claimed, $40,000,000 of water into Chicago & Alton, **even President Roosevelt joining in the censure.** But the water poured by Mr. Harriman into Chicago & Alton is hardly a drop in the bucket compared with the water that has been

poured into Manhattan Island Real Estate during the past five years. It does not make much difference how much water is poured into Chicago & Alton, for the reason that no railroad company can compel the people either to ride or to ship their freight over its road, water or no water, nor can one railroad alone raise the rates. So all must "water" to hurt the consumers. But it is quite different with land. We are not so independent of land as we are of railroads. **Man is a land animal and must constantly use land.** When he eats, sleeps, works, walks, or rides on the cars, he is using land. If the owners of land in our cities, that is, in the centers of distribution, wish to pour "water" into their land and make their tenants pay them dividends in higher rents upon that "water," it will be difficult for the tenants to escape, for if they try to escape they will find that it is like jumping from the frying pan into the fire, that all the landowners work in concert, and that "water" is poured into the land all over, and that rents to pay the dividends on such water are advanced in every quarter at about the same time. If a man does not wish to patronize the watered railroad he can go by automobile or carriage, or he can walk. Before long he can fly. But if a man does not wish to pay the exorbitant city and town rents he can only move into the mountain and there live **free of rent.** In the mountain, however, he will probably starve, for land that can be had free of rent in this country is land upon which no man can keep himself, let alone raise a family. Excepting for its influence in making money scarce "stock watering" is not so bad if passenger and freight rates are not increased. Of course, an increased business would permit of lower rates, but **the laborer is always worthy of his hire,** and a good business corporation, producing or distributing wealth, is in a sense a laborer. With its increased earn-

ings it can raise wages and make improvements and extensions, which should always be encouraged. And we must never forget that a railroad is a very large consumer of products, as well as employer of labor.

CHAPTER XII

TRUSTS—GOVERNMENTAL AND BUSINESS ROTTENNESS

I wish to present an aspect of **"the trust question"** which seems not yet to have been suggested. These gigantic business and industrial combinations seem to me to be the logical outgrowth of the constant increase in the value of land in the centers of consumption.

A trust, properly managed, should effect great economy in production and distribution, with lower prices to consumers, and greatly increased consumption and general prosperity. **In and of itself the trust is not an evil.** There is no good reason why two or a dozen sets of managers or superintendents should be employed in production and distribution when one set can do the work equally well. In these days of telephones, stenographers and typewriters one managing head can handle as much business as could ten men a quarter of a century ago. But the real estate booms by increasing the rents which business men pay, and **which the customers of the business men pay,** necessitate such economy in production and distribution as will enable business men to do business, that is, to live, under the increased burden of higher rents. **To meet this increased cost of doing business,** and the consequent and necessary readjustment, **combinations are formed** and needed economies

effected. Then, again, when the rent of the ordinary consumer, the employee, is increased his purchasing power is weakened or decreased; and **business must force a lower range of prices** in order to meet this enormously reduced purchasing power of the great multitude. This necessity for lower prices is generally met by reducing wages, by laying off employees, and by forced reduction in the price of the raw materials which go into manufactured articles. But in the long run, and aside from these methods, **economies are partially effected** by the business combinations which we call trusts. **If the natural resources,** or land, **were not already monopolized, the trust,** like the labor-saving machine, **would be a great blessing to mankind.** But, like the labor-saving machine, the **trust**, instead of being a blessing to mankind, simply increases the value of land in the cities and towns, and **only those who own such land** and the mines, forests, water powers, etc., **are benefited. The non-land owner is in nowise benefited.** Those who inveigh so vehemently against the trusts should remember that the trust, like the tramp, is simply the economic product of our land system—a system which allows one man and his heirs to own the earth forever, and charge the rest of mankind for living on it.

Business dishonesty, and governmental, or political rottenness, are likewise products of the same system. Some business men, who take up collections in churches, not only prevaricate in and about their business, but claim, without fear of contradiction, that it is impossible to do business on an honest basis. The modern business motto is, we are told, **"What can I do you for?"** All this business dishonesty is superinduced or made possible by our land system, which through ever increasing rent, is crowding the business man to the wall. The business man's deception and tergiversation are simply weapons with which

he beats back the forces seeking with colossal effrontery to crush the business life out of him.

As for the modern politician, whose crookedness is so much complained of, he is only another **"victim of circumstances."** For our **land system is the evil tree upon which grows all our minor evils.** Modern politics is conceded to be a game in which the aggressively honest man has about as much chance as the proverbial snowflake. He can only get into politics by a sort of miracle, and, when discovered, he is hustled out **instanter,** unless he ceases to be honest, and plays the game according to its rule of addition, division and silence. But this political rottenness, fast sapping the foundations of our government and our civil liberty, is treated largely as a sort of joke, and the few who are caught in the game are looked upon as "good fellows gone wrong," simply.

Crime and insanity, according to the statistics, continue to increase much faster than our population; some claim three times as fast This, of course, is to be expected under ever increasing difficulties of making a living. And it may be very seriously questioned, with all our boasting, whether ignorance is not also increasing. To keep "hammering in" things that are untrue, under the name of education, but illustrates the saying of the greatest of all teachers: "If the light (knowledge) that is within you is darkness (ignorance) **how great is that darkness!"** We teach almost everything in our public schools but POLITICAL ECONOMY, the science of the production and distribution of wealth; and the very few who reach the economic course in our colleges are filled with a lot of trash that, as we look upon the horribly inequitable distribution of wealth in this country, may be illustrated by another of the same teacher's sayings: "By their fruits, ye shall know them!" And by still another: "The poor ye have with you, always."

The workingman, the professional man, the business man, all good citizens, all parents with children looking forward to opportunities for making decent and honest livelihoods, should be interested in this question of wealth distribution. **WEALTH DISTRIBUTION is by far the most important question affecting human existence to-day.** If A were the landlord of B, and C were the landlord of D, the rent question would not be so important politically and economically, because what A gets from B and what C gets from D in increased rents would be spent by A and C in the ordinary business course, but when A is the landlord of B, C, D, E, F, and all the rest of the Alphabet, the increased rent which A gets effects a concentration of wealth which cripples the consumptive powers of all the rest, and this crippling process spells poverty and eternal grind for them, while it means untold riches and wasteful luxury to the few who collect the rents and royalties. Workingmen, business men and professional men live by employing one another through the consumption of one anothers' products, but when three-fourths of one's product is taken away as rent **without giving any equivalent** the power to exchange products is very materially lessened, and **lessened exchange of products is HARD TIMES.**

A few of us may, here and there, make a little money by gambling in land, but we do it at the risk of losing far more than we make; and, besides, we close up to ourselves and to others the opportunities for making what all of us must make, to wit, a living. If we will only **stop land gambling,** and real estate booming, we shall have prosperity and opportunity for all who are able; and those who are unable, through natural defect, will be taken care of gladly by those who are able. Is not this "A CONSUMMATION DEVOUTLY TO BE WISHED?" Our pris-

ons, soup houses, poor houses, bread lines, and armories would then soon become things of the past.

CHAPTER XIII

WHAT IS THE REMEDY FOR THIS BUSINESS TROUBLE? WHAT IS THE CURE FOR HARD TIMES?

A remedy that will cure land monopoly, including the monopoly of our natural resources, will at once cure all the business trouble that can come to this or any other country.

Land is, and always has been, the natural employer of labor. With monopolized land opened to labor the wage question would solve itself at once, for the product of good land obtained free, or at a nominal price, will always yield enough in exchange to reward its tiller; and wages elsewhere must always be as high as the tiller of the soil can get for his labor after paying all his fixed charges.

It is the same with the forests, the fisheries and the mines. They must be rescued from the grasp of monopoly. Monopoly also extends to land in the cities where thousands of acres of building lots are held out of use by the large estates and by syndicates of speculators and by individuals who are gambling for a rise.

A very recent publication says this of William E. Harmon, one of the firm of Wood, Harmon & Co., extensive real estate speculators in various cities of the United States: "After Brooklyn became consolidated with Manhattan" (old New York City), "Mr. Harmon invested several thousands of dollars in farms in this section, for he saw that there would be a wonderful future for Flatbush" (one of the old towns consolidated

with the old City of Brooklyn). "To-day he controls over 20,000 lots, exclusive of houses, business structures and office buildings. It is said, on good authority, that he could to-day" (December, 1908) "dispose of his holdings at a profit to himself and his firm of $20,000,000."

Twenty thousand vacant lots will hold ten thousand American homes with sunshine, fresh air and flower beds around them. The city of New York to-day is showing a very expensive tuberculosis exhibit, which demonstrates that our filthy tenements almost bereft of fresh air and light, are the hot-beds of tuberculosis and other diseases. Is it not apparent that Mr. Harmon is as great an enemy to society as John D. Rockefeller, and that his operations call for far more investigation and correction?

Vacant lots in the Borough of Brooklyn, City of New York, which used to be known as the "CITY OF CHURCHES" and of homes, are sold to Japanese in Japan and to people who live West of the Rocky Mountains and in States other than that in which the land is located. So that unborn Brooklyn babies will pay unborn Japanese babies for the privilege of living on the earth here in Brooklyn. When my great-grandfather fought with George Washington in the Battle of Long Island, he certainly did not foresee this, and I am not at all reconciled to it myself. But at some future day we may be shipping to Japan large quantities of merchandise and gold, as we do now to Europe, to square her rent account against us, and then we will foolishly boast of our favorable balance of trade with Japan. The *Brooklyn Eagle* stated recently that one Brooklyn firm had sold $40,000,000 worth of Brooklyn lands, and it has frequently been stated that this firm has sent over $6,000,000 of profits to Pennsylvania speculators in Brooklyn land. These profits represent "water" poured into this land, on which future

occupants must sweat to pay dividends. But all the outside syndicates are not prosperous. A Pennsylvania official writes me of a syndicate in his town which bought $150,000 worth of Brooklyn land, paying half cash and giving a mortgage for half. Some of the members borrowed the money to make up their cash subscriptions. The mortgage is now overdue, and foreclosure is threatened, while the cash borrowed is loudly clamored for but can't be raised by the speculative borrowers. My informant says that a number of similar syndicates were formed in his town of 12,000 people. The land boom is now over, but much of the suffering is yet to come. How to stop this land speculation by non-residents is one question. And how to get rents down to a normal level is another question.

We can pass laws that no man shall control any more land than he is actually using.

We can enact that anyone finding a city lot vacant and **out of use for one year** may go thereupon and improve that lot, and his title will be protected by the State.

We can compel a man holding vacant land out of use for more than one year to get an order from the court to enable him, for good excuse presented in his application, to hold it out of use for any longer time, provided he is a citizen.

We can prohibit non-residents from owning land within the State.

We can pass a law limiting rents as we have already limited interest rates and railroad fares, and hours of labor.

We can say to the owner of an office building, of a house, of a factory, of a hotel or of a block of apartments: "You have spent so much for the land upon which your building stands and so much for the improvements. We will allow you to collect in rents ten per cent. of your investment, which will include ordinary repairs, and if, after ten years or at any time, you wish

to overhaul or make extraordinary repairs we will let you add that cost to your original investment and collect ten per cent. on that also." With such a limitation in rents every office building, house, factory, store, hotel and flat would have on the door of the apartment to be rented, **where the tenant could see it,** the rental price per month for that apartment, or building, and **above this the owner could not charge.**

Limiting rents would force the wealth, which land now takes as RENT from the shares of capital and labor, to be distributed between the owners of capital and the owners of labor as INTEREST and WAGES. And as the income of capital in many lines, especially those enjoying a franchise or special privilege, is already limited, excepting by increased business, **the share going to labor,** after rent is limited, **would be so tremendously increased** that prosperity would come to the working and professional classes immediately, and with the increased consumption of all kinds of products that would follow the increased purchasing power of the laborers and others who receive wages, prosperity would come to the business man. The industrial pie would then be cut so that one piece, **rent,** would not be continually growing at the expense of the other two pieces, **wages** and **interest.**

And the day must come when the land boomer shall be treated by society as it now treats the rabid dog, or the crazy man, with a gun. For he is, unconsciously, society's greatest enemy.

But the same results may be obtained through taxation as can be obtained by limiting land ownership or limiting rents. We can throw the entire burden of taxation upon the rent received from land, and thereby relieve all industry and wealth, all business, from the burdens of taxation which they now bear. Poll taxes and even dog taxes would thus become things of the past.

The Federal Government could sustain itself by merely taxing those great natural resources which it is now proposing to "conserve for the people." This plan for supporting the Federal Government, by taxing the nation's natural resources, would be real conservation—a conservation which would put money into the pockets of all the people by lessening their present outrageous tax burdens. The preservation of these resources in this way would redound to all instead of to the few individuals who have been allowed to monopolize them. The exemption from taxation of all buildings and other improvements on land would at once multiply buildings and other improvements, while the casting of the burden of municipal taxation upon the land, irrespective of improvements, and according to the value given to it by its location, would make it impossible for the speculator to hold land out of use in the cities and elsewhere. The more the scheme of taxation as a remedy is considered, the clearer its completeness and feasibility appear. Our State Legislatures, under decisions of the United States Supreme Court, may cast the burden of taxation upon any class of property, to the exclusion of all other classes of property. So that, working along the line of least resistance, a State law may be passed exempting all buildings on land to the amount, say, of $3,000 or $5,000. This would at once relieve most of our homes from taxation, while increasing but slightly the tax on the land upon which the home is built. So slight an exemption as $3,000 of improvements would prove so beneficial in every way that the exemption from taxation of all improvements would soon follow.

This exemption of improvements would necessitate the assessment of taxes on land only, and as the assessors are already directed to assess property at its full value, **the most valuable land,** that is, the land from which the

largest rent is gathered, **would pay the greatest part of the taxes.** Thus society would absorb, **by taxing the income, or share, called rent,** what now goes, as unearned increment, to enrich the owners of our large estates and the speculators and gamblers in vacant land.

The perfect simplicity of a land value tax, when compared with our modern complicated methods of collecting revenue for the support of government, is even more striking than the land value tax as a remedy for panics and business depressions. What can be simpler than have the government charge the occupant of a residence or business site just as we charge the occupant of a church pew, a theater seat or a hotel room, to wit, according to its desirability or value through its nearness or juxtaposition to the center of attraction, to wit, the pulpit, the stage, or the business or residence sections? This scheme of taxation would at once lessen the tax burden of the farmer while increasing and enlarging the market for his crops. Such a thing as selling lots on installments would be almost impossible, for **wages would be so high and employment so constant and vacant lots so cheap** that every young man, by the time he was ready to marry, would have saved enough to buy the lot on which he wished to build a house. Such a thing as **"slaving and saving" for years to get a home** paid for, as we do now, would come to an end at once, for **larger incomes and cheaper houses** would eliminate the difficulty of home-getting. The present price of land is a monopoly price, not the price under free conditions.

The filthy tenements that disgrace our cities would disappear as if by magic, for the reason that the enormously increased business resulting from the increased purchasing power of the great industrial class would necessitate the tearing down of the tenement districts and the erection of warehouses, stores and office **buildings**

on the land on which they stood, to accommodate this increased business. Under this plan of taxation our cities and towns would grow like weeds, for the half-housed populations, hungry for homes, but now managing to exist in their too restricted quarters, would spread out into larger quarters, and every family would demand and could have a large house with ample grounds around it, with yard room, sunlight, air and flowers for the rising generations. Humanity would at once step to higher levels of physical, mental and moral development, for with the driving away of poverty and the fear of poverty, all men would find lifted from their lives that burden which sinks the spirit and discourages more men than any other kind of evil. Wars would cease, because conquest of other countries would not enable the few, who impel nations to war, to profit as they do now by the monopoly of the land of the conquered nation. With plenty everywhere, sickness, ignorance, crime, greed, ugliness and vice would disappear, and man would come back again to his own. Having been made in the image of his Maker, he would soon try to imitate his Maker by spreading happiness and good cheer in all directions.

CHAPTER XIV

A WORD TO THE LAWYER

Our profession, like nearly all professions, is overcrowded. We are told that "there is room at the top." So there is, for the few, and for those of the few who will pay the price. But we, like other men, want room at the bottom, where the great majority of us are bound to stay. The lawyer must protect himself against the wealth concentration which makes his pro-

fession a superfluity. His business, as an adviser to business men, will be far better when twenty separate business men are able to do business under their own names, than if twenty kinds of business are only half done under one name and under one roof. He will do a better business when twenty separate millers are grinding grain in his city than if all the grain is ground by twenty mills combined into a trust. He will do a better business when the wealth of the country is equitably distributed among all its producers than he can do when a dozen men own three-fourths of the wealth, and three-fourths of the population die almost penniless. The pauper needs no lawyer to draw his will, and when he dies intestate his demise takes no business to the Surrogate's, Prothonotary's or County Clerk's Office. If the LAW is an honorable profession, as I believe it is under normal conditions, the lawyers should protect it from **the destructive forces of wealth-concentration.** A few big lawyers may make millions in effecting the concentration which crushes the small lawyers, while the small lawyer has comparatively as little chance of becoming a big lawyer as has the average citizen of becoming President of the United States—which is something less than one chance in a million.

A Word to the Other Professions

As a doctor, a teacher, an architect, a minister, a newspaper writer, or what not, your success will depend more upon the opportunity to use your talent than upon your possession of the talent. **Concentration of wealth in the hands of the few destroys opportunity.** A thousand prosperous families owning their homes and having normal purchasing power, will provide more employment for every professional man

than will a thousand families, owning nothing, crowded into contracted tenement quarters. Your interest lies in the direction of wealth distribution, and this little book should appeal to you from the standpoint of **intelligent selfishness,** which is **the very highest altruism.** You are to consider whether it is better for you to have **the "400" of our cities gorged with wealth,** while their neighbors are struggling to make both ends meet, or whether it will be better if all the people are comfortably housed, clothed and fed, **with some extra money to call you in when needed.**

CHAPTER XV

SUMMARY

If George Washington, who drove from Mt. Vernon down to Alexandria to church every Sunday through mud up to his carriage hubs, could see our Empire State Express and our Eighteen-Hour Chicago Specials; if Columbus, who was 70 days crossing the Atlantic, could see our *Lusitania,* which now crosses it in four and a half days, steam into our harbor; if Hendrix Hudson, who three centuries ago sailed up our beautiful Hudson River, could now see the 20- to 45-storied sky-scrapers at its mouth; if Benjamin Franklin, who coaxed the lightning out of the sky over a century ago, could see the vast maze of telegraph and telephone wires we now have, and could see us talking to men in Chicago and St. Louis, as we do to men in the same room, or could he see the modern leviathans communicating with one another and with the land by wireless telegraphy; or could this hand press printer see one of our modern printing presses in operation, printing, folding and counting thousands of

papers an hour—if all of these could **compare what we have, in the way of labor-saving machinery** and general progress **with what they had,** and then would see the abject and pitiful poverty on all sides as the horrible complement of this tremendous power of productivity and distributivity, what would they say of us, of this generation of men? It seems to me that their condemnation of our waste of our God-given opportunities in the shape of inexhaustible resources on all sides, would be inexpressible. They certainly would say: **"You have well learned how to produce wealth, but you have not yet learned how to distribute it.** All this degrading poverty should not exist alongside the great fortunes to be found on every hand."

The BIBLE says, **"The land shall not be sold forever."** The Revised Version puts it "in perpetuity," and no nation ever has or can with safety disregard this fundamental injunction. We are disobeying the Bible. **The fee simple is distinctly un-Biblical.** The divine law is, "the Earth is the Lord's and the fullness thereof," **and we are his people.** The majority of mankind, from the cradle to the grave (and even for their graves), pay a big price to the owners of the earth for living on the earth. The owners of the earth in some countries are called Kings, Dukes, Counts, Lords, etc., but **the name is nothing, the principle is the thing.** Here in "free America," **as we suppose it to be,** our people pay billions of dollars of their substance for living on the earth, for the mere use of land, and these billions enrich the few, who collect the rents for its use, and impoverish the many who pay.

The price paid as rent is not **"All the traffic will bear,"** but more than it will bear, which kills the traffic by driving men into bankruptcy. When another dollar of rent can be collected the **"system"** will go after it.

Of course the landlord has the right to do as he pleases with his own, but he must so use his own as not to harm or destroy another. The slave owners had the right to sell women and children on the auction block, but we outgrew, at great loss of life and money, their exercise of that right in that way. We have, however, a more subtle method of producing almost the same results. Millions of women sell themselves on the streets of our large cities, and little children are sold into industrial slavery in this and other countries—all to satisfy the greed of our land system. In New York City alone marriages were 25% less during the last six months than they were for the corresponding six months of last year, which illustrates how panics affect the matrimonial market. Indeed matrimony is getting to be a luxury, while the French method of living together is becoming so common in our American cities that marriage is looked upon by many as an indulgence which only the foolish commit.

The duty of self-preservation and of preserving the American home requires that we protect ourselves against the ravages of the real estate speculators and the gamblers in and monopolizers of our natural resources.

"You take my house when you do take the prop that doth sustain my house." So he takes the life who takes the land from which that life must live.

If this little pamphlet will lead any of its readers to think and work toward this end I shall be amply repaid for my trouble in laying my argument before them.

JAMES POLLOCK KOHLER,
Counsellor at Law,
40-44 Court Street,
(Temple Bar)
Brooklyn, New York City.

"IT IS NO DISGRACE TO BE POOR"

The disgrace is in not knowing *why* you are poor

THIS BOOK WILL TELL YOU WHY

Land	**Rent**
Labor	**Wages**
Capital	**Interest**

PRICE 15 CENTS

547